Province of Nova Scotia
Public Accounts

Volume 1 – Consolidated Financial Statements
for the fiscal year ended March 31, 2014

The Honourable Diana Whalen
Minister of Finance and Treasury Board

NOVA SCOTIA

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Message from the Minister

The Public Accounts for the year ended March 31, 2014 reported a deficit of $678.9 million.

Total consolidated revenues were $10.0 billion, a decrease of $231.4 million from estimate primarily due to reduced revenues from taxes and a prior year adjustment of $145.6 million, reducing petroleum royalties.

Total expenses on a consolidated basis were $10.7 billion, an increase of $463.9 million from estimate mainly due to higher departmental expenses and pension valuation adjustment, which were somewhat offset by lower debt servicing costs.

The Province's Net Debt as at March 31, 2014 was $14.8 billion, $772.7 million higher than estimate. This is a result of the deficit plus the net investment in tangible capital assets.

Nova Scotia's economy experienced growth in real GDP from -0.1 per cent in 2012 to 0.5 per cent in 2013.

Detailed analysis of these results is contained within this document.

These consolidated financial statements are in accordance with generally accepted accounting principles for the public sector and have received an unqualified opinion from the Auditor General.

Diana Whalen

Honourable Diana Whalen
Minister of Finance and Treasury Board

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

for the fiscal year ended March 31, 2014

Public Accounts

In accordance with the *Finance Act*, the Minister of Finance and Treasury Board for the Province of Nova Scotia (Province) produces the Public Accounts annually to report on the operating results and financial condition of the Province. Volume 1 of the Public Accounts includes general purpose financial statements meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information of the departments of government as well as crown corporations, boards, and other entities owned or controlled by the Province.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. For purposes of the Province's financial statements, this refers to the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The 2014 Public Accounts *Volume 1 – Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB, and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAB guidance on behalf of the Minister and the Deputy Minister of Finance and Treasury Board.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the selected highlights of the General Revenue Fund include more detailed information and budget-to-actual analysis on revenues, expenses, tangible capital assets, and additional appropriations. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia provincial government, but excludes other governmental units (GUs) and government business enterprises (GBEs) owned or controlled by the Province.

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 – Agencies and Funds* is a collection of audited financial statements of various agencies, boards, other governmental units, government business enterprises, and trust funds. *Volume 3 – Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund in the fiscal year for salaries, travel, grants, and expenses.

Presentation of Estimates

The annual budget, referred to as the Estimates, represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the following pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the Consolidation and Accounting Adjustments from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

When consolidating the government controlled entities into these financial statements, the Province adjusts the entities' accounting policies to conform with its own so the amounts can be added together on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expense recorded in departmental expenses is eliminated with the corresponding grant revenue in the related entity. This transfer between the two related entities does not increase or decrease the assets of the Province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with external parties not controlled by the Province. Only transactions with these outside parties represent the increase and decrease in the Province's financial position.

Reconciliation of Estimates

Reconciliation to the Adjusted Estimates of the Consolidated Financial Statements
For the year ended March 31, 2014
($ thousands)

	Estimate 2014	Adjustments	Adjusted Estimate 2014
Revenue			
Provincial Sources			
Tax Revenue	5,104,782	—	5,104,782
Other Provincial Revenue	618,741	655,535	1,274,276
Net Income from Government Business Enterprises	350,313	—	350,313
Investment Income	175,943	15,098	191,041
	6,249,779	670,633	6,920,412
Federal Sources	3,231,394	114,723	3,346,117
Total Revenue	9,481,173	785,356	10,266,529
Expenses			
Departmental Expenses			
Agriculture	61,973	3,573	65,546
Communities, Culture and Heritage	60,009	1,659	61,668
Community Services	896,573	107,027	1,003,600
Economic and Rural Development and Tourism	130,060	46,130	176,190
Education and Early Childhood Development	1,105,659	296,222	1,401,881
Energy	26,136	1,546	27,682
Environment	24,954	48,707	73,661
Finance	41,444	5,816	47,260
Fisheries and Aquaculture	9,044	—	9,044
Health and Wellness	3,910,819	155,758	4,066,577
Justice	309,801	5,553	315,354
Labour and Advanced Education	353,412	49,930	403,342
Assistance to Universities	337,152	—	337,152
Natural Resources	85,072	6,244	91,316
Public Service	165,931	(25,278)	140,653
Seniors	1,859	—	1,859
Service Nova Scotia and Municipal Relations	247,315	4,322	251,637
Transportation and Infrastructure Renewal	425,458	1,379	426,837
Restructuring Costs	202,480	—	202,480
	8,395,151	708,588	9,103,739
Refundable Tax Credits	129,356	—	129,356
Pension Valuation Adjustment	110,793	—	110,793
Debt Servicing Costs	888,891	17,361	906,252
Total Expenses	9,524,191	725,949	10,250,140
	(43,018)	59,407	16,389
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	61,637	(61,637)	—
Special Purpose Funds	(1,062)	1,062	—
Other Organizations	(1,168)	1,168	—
Total Adjustments	59,407	(59,407)	—
Provincial Surplus	16,389	—	16,389

Economic Highlights

In advance of receiving results of actual tax revenues collected, the Province relies on economic forecasts and known relationships with historical administrative tax data to estimate tax revenues. Nominal Gross Domestic Product (GDP) is the broadest measure of the potential tax base, and subcomponents of nominal GDP provide indications of growth in specific tax bases, including personal income, corporate profits, consumer expenditures, and residential construction.

The Province's economic outlook published as part of the 2014-15 Budget Assumptions used data and information up to March 4, 2014. The revised economic outlook presented below uses data up to June 17, 2014. Information revealed beyond this date may not be fully reflected in this forecast and will be incorporated in future economic outlooks.

Provincial Economic Outlook: 2013 and 2014

(Per cent change, except where noted)	Previous (March 2014)		Revised (June 2014)	
	2013	2014	2013	2014
Real GDP (2007 chained)	0.3%	1.4%	0.5%	1.4%
Nominal GDP	1.5%	2.9%	1.7%	3.0%
Compensation of Employees	1.8%	2.4%	1.9%	2.5%
Primary Household Income	2.1%	2.5%	2.2%	2.6%
Household Final Consumption	2.9%	2.5%	2.9%	2.6%
Retail Sales	2.0%	1.9%	[a] 2.9%	2.2%
Consumer Price Index	1.2%	1.5%	[a] 1.2%	1.6%
Investment in Residential Structures	2.3%	1.0%	2.2%	-3.0%
Net Operating Surplus: Corporations	3.2%	3.8%	3.5%	4.9%
Exports of Goods to Other Countries	10.3%	5.6%	10.8%	7.7%
Population at July 1 (thousands)	[a] 940.8	939.5	[a] 940.8	939.5
Employment (thousands)	[a] 453.8	455.8	[a] 453.8	451.5
Unemployment Rate, Annual Average	[a] 9.0%	8.6%	[a] 9.0%	9.0%

[a] *actual*

External Conditions

The global economy broadly strengthened, but remained tepid in 2013. The European economy came out of recession while emerging-market economies continued to enjoy strong growth. Although there had been concerns that potential financial or geopolitical risks might destabilize growth, neither of these materialized.

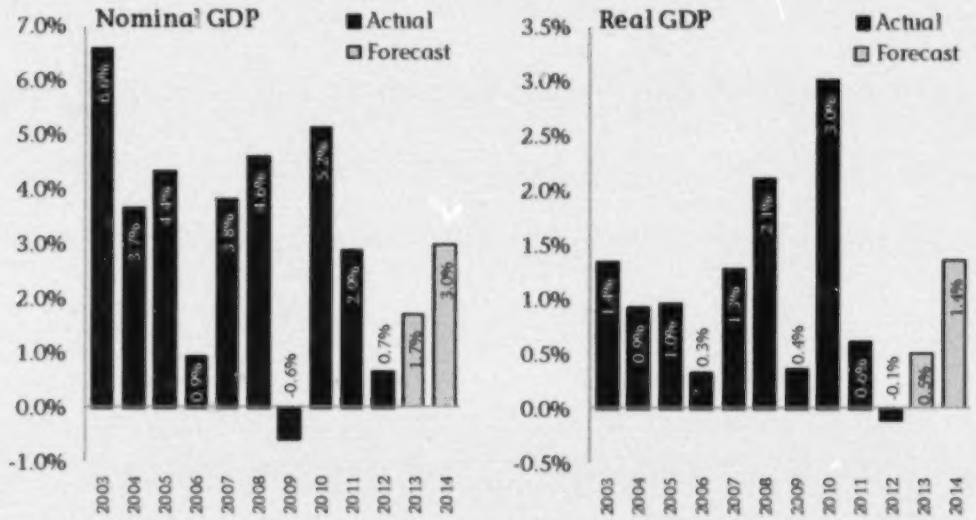
Despite a weather related drop to GDP in the first quarter of 2014, the United States' (US) economy continues to expand. The drags of household deleveraging and fiscal austerity are mostly in the past and a self-sustaining recovery in residential construction, consumer spending, and business investment is projected. Continued low inflation and improvements in the labour market have allowed the US Federal Reserve to begin tapering monetary stimulus, but loose monetary policy will continue in the near-term. The US economy grew by 1.9 per cent in 2013 and is forecasted to grow by 2.6 per cent in 2014.

The Canadian economy grew by 2.0 per cent in 2013 primarily on the strength of household consumption as residential investment fell and business investment slowed for the third consecutive year. Growth in exports outpaced imports for the first time since 2001, but a trade deficit remains. Growth for 2014 is forecasted to be 2.3 per cent as exports continue to recover and household and government spending is restrained.

Nova Scotia Economic Performance and Outlook

The Nova Scotia economy has experienced several negative shocks in the past few years including forestry sector restructuring, fiscal restraint, and natural gas production declines. Along with these shocks, slow economic recoveries in the global economy have limited export growth even as demand for imports has remained. With slow activity in both real and nominal terms over the past few years, future economic growth will be starting from a lower level and this will result in weaker tax revenues for the provincial government.

Nova Scotia Economic Outlook
(Gross Domestic Product growth)



Source: Statistics Canada, CANSIM table 384-0038; Nova Scotia Department of Finance projections

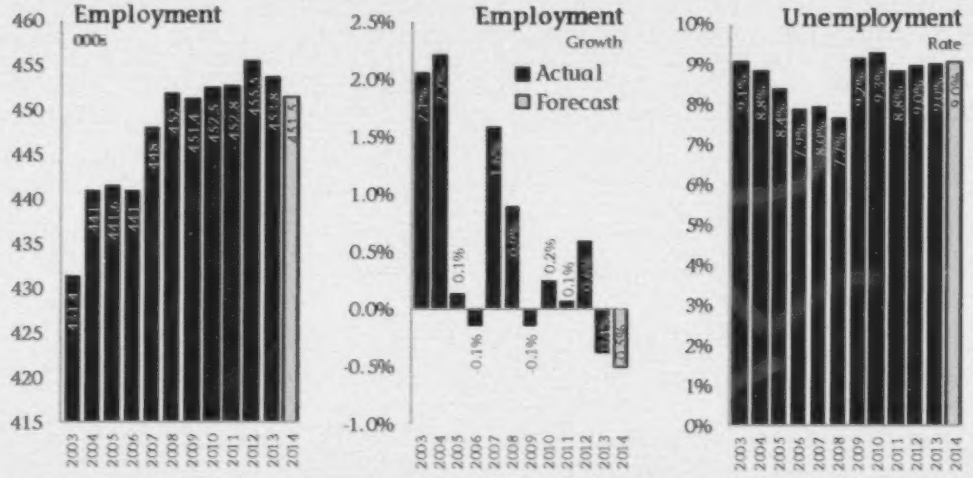
Preliminary data for 2013 suggests that real GDP (by industry at basic prices) grew at a pace of 0.8 per cent led by growth in engineering construction, finance/insurance, retail trade, electric power, and health care. Declining activity in defense, federal government public administration, manufacturing, administration and support service, and wholesale trade offset some of the gains. Growth is expected to be lifted by the external sector in 2014 with greater natural gas production, a healthier US economy, and a lower value of the Canadian dollar. Domestic activity will remain tempered, limiting growth of Nova Scotia's output. Measured at market prices, real GDP is estimated to have grown by 0.5 per cent in 2013 and is expected to grow by 1.4 per cent in 2014. Nominal GDP growth, which is more strongly correlated with revenue growth, is estimated at 1.7 per cent in 2013 and strengthen to 3.0 per cent in 2014 as prices and real activity pick up.

Nova Scotia Employment and Labour Force

Slower economic growth as well as demographic pressures on the size of the labour force (out-migration and aging) have stunted employment growth over several years. For 2013, employment fell 0.4 per cent, the most substantial decrease since the early 1990's. A similar drop of 0.3 per cent in the size of the labour force kept the unemployment rate stable at 9.0 per cent. Employment and labour force levels have fallen further in 2014 with employment losses in most industries. For the first six months of 2014, the labour force is down 1.9 per cent and employment is 1.5 per cent lower than last year. The unemployment rate is projected to remain at 9.0 per cent in 2014.

Labour Markets

(Employment, employment growth, unemployment rate)



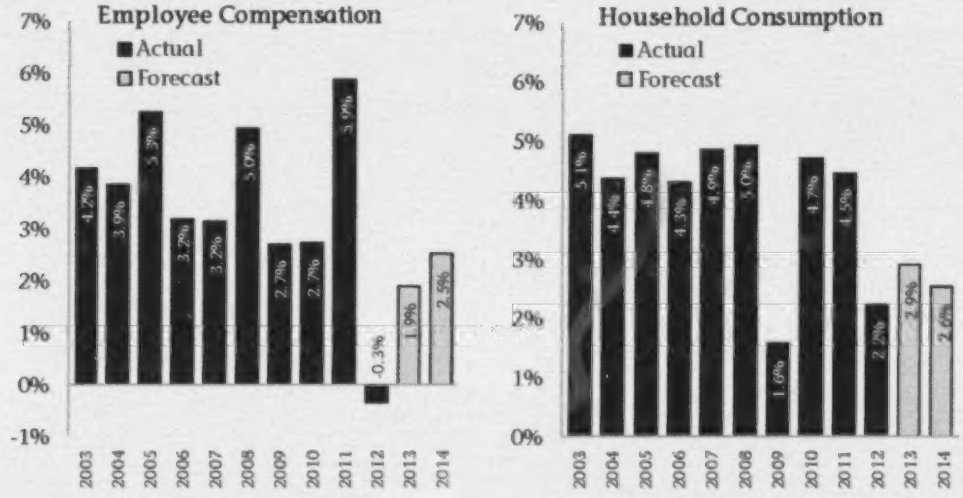
Source: Statistics Canada CANSIM table 282-0002; Nova Scotia Department of Finance projections

Nova Scotia Employee Compensation and Household Consumption

The slow pace of employee compensation growth is expected to continue and limit growth in household income and consumption. Preliminary employee compensation growth for 2013 is estimated to be 1.9 per cent. This is the slowest annual pace since the 1990's, excluding the decline in 2012 when a one-time pension adjustment in 2011 was not repeated. For 2014, employee compensation growth is projected to pick up by 2.5 per cent.

Consumer spending is the key driver of HST revenue. With household income and prices below historical trends and employment falling, nominal household consumption growth will be slow for 2013 and 2014. Retail sales, which are only a portion of household consumption, grew by 2.9 per cent in 2013 on gains in new motor vehicles and gasoline stations offsetting declines in furniture, electronics, and grocery stores. Household consumption is estimated to grow by 2.9 per cent in 2013 and by 2.6 per cent in 2014.

Compensation and Consumption
(Growth rate, nominal)

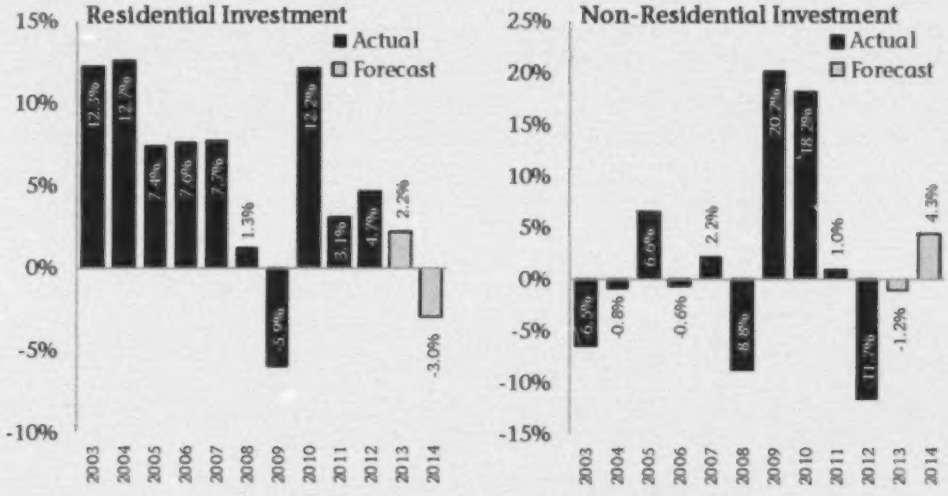


Source: Statistics Canada CANSIM table 384-0037 and 384-0038; Nova Scotia Department of Finance projections

Nova Scotia Construction Investments

After solid growth of 4.7 per cent in 2012, residential construction investment slowed, growing by 2.2 per cent in 2013 and declining in the first quarter of 2014. A number of factors are expected to contribute to declining residential construction activities in 2014, including completion of multi-unit dwelling projects, receding prices, and tighter mortgage rules for first-time home buyers.

Investment
(Growth rate, nominal)



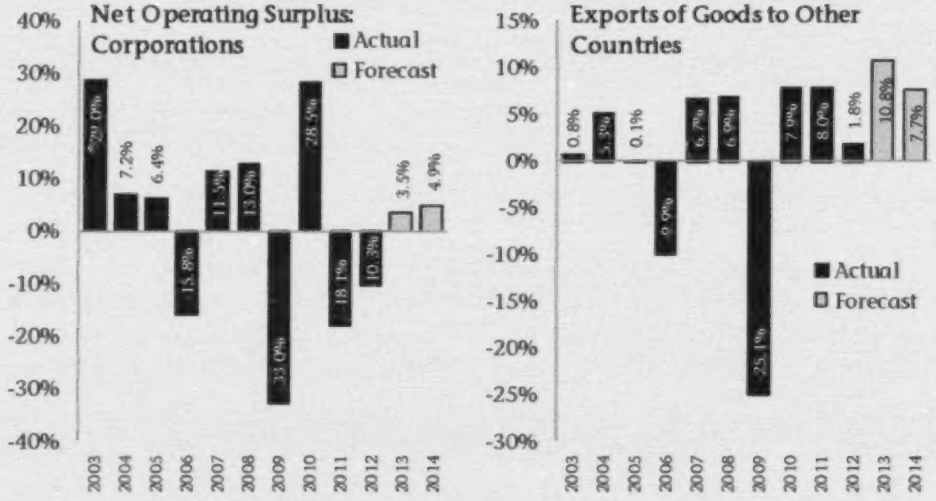
Source: Statistics Canada CANSIM table 384-0038, Nova Scotia Department of Finance projections

Non-residential building construction fell by 6.1 per cent for the second consecutive year in 2013 as institutional and government investment slowed. Preparatory work at the Halifax shipyard, Halifax convention centre construction, and other non-residential projects are expected to contribute to growth in non-residential construction of 8.5 per cent in 2014.

Nova Scotia Exports and Profits

Indicators regarding international goods exports point to recovery, with non-energy exports posting growth of 10.5 per cent in 2013 and rising by 13.2 per cent in the first five months of 2014. Production at Deep Panuke has lifted energy exports substantially (up over $600.0 million through May) after several years during which most of the province's declining natural gas output was consumed within Nova Scotia and New Brunswick. A steadily growing US economy and lower exchange rate will help maintain some momentum in the external sector. Corporate profit growth should move into positive territory after two years of declines, but growth rates will remain below historical norm and the profit level below the high prior to the financial crisis.

Profits and Exports
(Growth rate, nominal)



Source: Statistics Canada CANSIM tables 384-0037 and 384-0038; Nova Scotia Department of Finance projections

Risks and Adjustments

Although this summary of economic indicators for 2013 and 2014 forms the basis for the final revenues presented, they are still projections. Further economic and administrative data relating to 2013 and 2014 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such changes will be reflected in subsequent fiscal years as prior years' adjustments.

Nova Scotia Key Economic Indicators

Calendar Year		ACTUAL 2009	2010	2011	2012	FORECAST 2013	2014
Nominal GDP at Market Prices ($ millions)		35,254	37,073	38,147	38,397	39,052	40,215
	% Change	-0.6%	5.2%	2.9%	0.7%	1.7%	3.0%
Real GDP at Market Prices (chained 2007 $ millions)		34,753	35,806	36,029	35,990	36,170	36,660
	% Change	0.4%	3.0%	0.6%	-0.1%	0.5%	1.4%
Compensation of Employees ($ millions)		18,905	19,424	20,569	20,499	20,888	21,414
	% Change	2.7%	2.7%	5.9%	-0.3%	1.9%	2.5%
Primary Household Income ($ millions)		25,543	26,276	27,716	27,852	28,462	29,204
	% Change	1.8%	2.9%	5.5%	0.5%	2.2%	2.6%
Household Final Consumption Expenditure ($ millions)		23,774	24,894	26,012	26,596	27,372	28,070
	% Change	1.6%	4.7%	4.5%	2.2%	2.9%	2.6%
Retail Sales ($ millions)		12,105	12,651	13,098	13,223	13,605	13,901
	% Change	0.1%	4.5%	3.5%	1.0%	2.9%	2.2%
Consumer Price Index (all items, 2002 = 100)		115.7	118.2	122.7	125.1	126.6	128.6
	% Change	-0.2%	2.2%	3.8%	2.0%	1.2%	1.6%
Investment in Residential Structures ($ millions)		2,247	2,521	2,600	2,722	2,782	2,698
	% Change	-5.9%	12.2%	3.1%	4.7%	2.2%	-3.0%
Investment in Non-Residential Structures, Machinery, and Equipment ($ millions)		3,035	3,588	3,624	3,201	3,164	3,300
	% Change	20.2%	18.2%	1.0%	-11.7%	-1.2%	4.3%
Net Operating Surplus: Corporations ($ millions)		2,574	3,307	2,708	2,428	2,513	2,636
	% Change	-33.0%	28.5%	-18.1%	-10.3%	3.5%	4.9%
Exports of Goods and Services ($ millions)		13,691	14,661	15,554	15,820	16,726	17,867
	% Change	-15.2%	7.1%	6.1%	1.7%	5.7%	6.8%
Exports of Goods to Other Countries ($ millions)		5,062	5,462	5,900	6,009	6,659	7,172
	% Change	-25.1%	7.9%	8.0%	1.8%	10.8%	7.7%
Imports of Goods and Services ($ millions)		21,607	23,327	25,288	25,699	26,168	27,018
	% Change	-4.8%	8.0%	8.4%	1.6%	1.8%	3.2%
Population of all ages at July 1 (thousands)		938.2	942.1	944.5	945.1	940.8	939.5
	% Change	0.2%	0.4%	0.3%	0.1%	-0.5%	-0.1%
Population of ages 18-64 at July 1 (thousands)		615.3	618.1	618.9	615.4	607.8	604.1
	% Change	0.3%	0.5%	0.1%	-0.6%	-1.2%	-0.6%
Labour Force, Annual Average (thousands)		497.0	498.8	496.6	500.4	498.9	496.4
	% Change	1.6%	0.4%	-0.4%	0.8%	-0.3%	-0.5%
Participation Rate, Annual Average (per cent)		64.3%	64.2%	63.7%	64.1%	63.8%	63.5%
	Change	0.7%	-0.1%	-0.5%	0.4%	-0.3%	-0.3%
Employment, Annual Average (thousands)		451.4	452.5	452.8	455.5	453.8	451.5
	% Change	-0.1%	0.2%	0.1%	0.6%	-0.4%	-0.5%
Employment Rate, Annual Average (per cent)		58.4%	58.2%	58.1%	58.4%	58.1%	57.8%
	Change	-0.4%	-0.2%	-0.1%	0.3%	-0.3%	-0.3%
Unemployment Rate, Annual Average (per cent)		9.2%	9.3%	8.8%	9.0%	9.0%	9.0%
	Change	1.5%	0.1%	-0.5%	0.2%	—	—

For purposes of the Public Accounts, the Department of Finance updated its economic assumptions for 2013 and 2014. There are no new statements of Provincial Economic Accounts for 2013, but revised assumptions have resulted in a new economic forecast.

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.

FINANCIAL HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2014

Financial Highlights

($ thousands)

	Adjusted Estimate 2014	Actual 2014	Actual 2013
			(as restated)
Consolidated Statement of Operations			
For the fiscal year ended March 31			
Total Revenue	10,266,529	10,035,129	10,104,123
Total Expenses	10,250,140	10,714,020	10,407,754
Provincial Surplus (Deficit)	16,389	(678,891)	(303,631)
Consolidated Statement of Financial Position			
As at March 31			
Financial Assets		3,850,191	3,947,324
Total Liabilities		18,611,938	17,889,696
Net Debt		(14,761,747)	(13,942,372)
Non-Financial Assets		5,612,583	5,472,099
Accumulated Deficits		(9,149,164)	(8,470,273)

Provincial Deficit

The provincial deficit is the net financial result of the year's operations. For the fiscal year ending March 31, 2014, total revenue was $10.0 billion (2013 - $10.1 billion) and total expenses were $10.7 billion (2013 - $10.4 billion). The resulting provincial deficit was $678.9 million, which was $695.3 million lower than the budgeted surplus of $16.4 million and $375.3 million higher than the prior year's deficit. There was one accounting change made during the year related to the Teachers' Pension Plan that resulted in a restatement of the prior year comparatives. Details are provided in Note 2 of the Consolidated Financial Statements on page 80 of this publication.

Net Debt

Net debt is the difference between the Province's total liabilities and its financial assets. Net debt represents the amount of liabilities to be funded from future revenues, including taxation. Net debt increased by $819.4 million to $14.8 billion as a result of the $678.9 million deficit and net investments of $143.8 million in tangible capital assets offset by a decrease of $3.3 million in other non-financial assets.

Accumulated Deficits

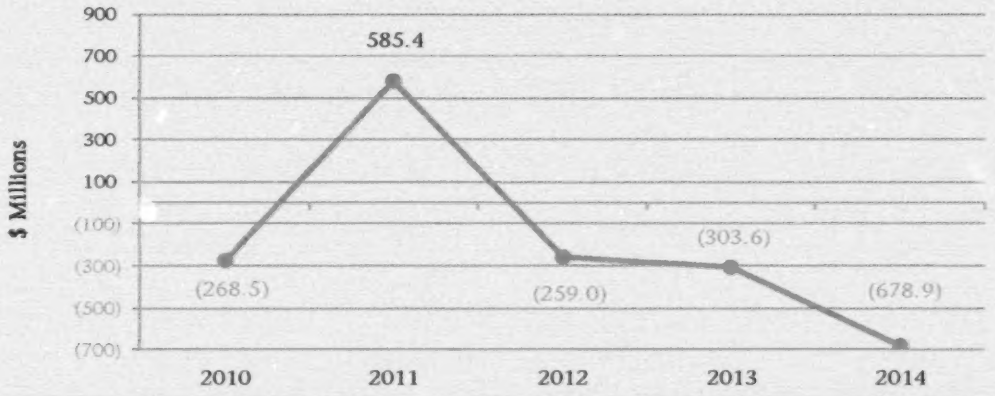
Accumulated deficits represent the difference between the Province's total liabilities and both financial and non-financial assets. Further, it is the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits increased to $9.1 billion at March 31, 2014 as a result of the deficit of $678.9 million. Under Canadian generally accepted accounting principles (GAAP) for the public sector, a year-end deficit increases accumulated deficits.

Provincial Deficit

The main purpose of the Consolidated Statement of Operations and Accumulated Deficits is to report the Province's revenues and expenses for the year ended March 31, 2014 and the comparative fiscal year.

The Province of Nova Scotia reported the following net results over the past five years:

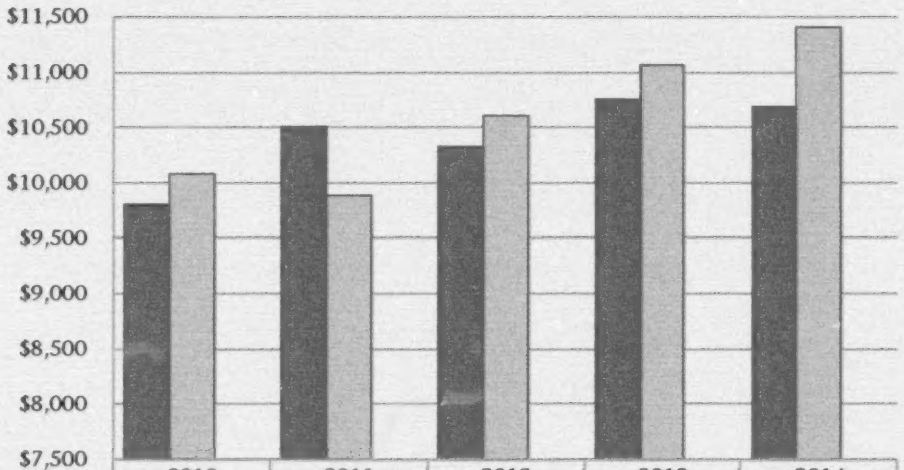
Provincial Surplus (Deficit) - 5 Year Trend



Revenues and Expenses per Capita

The provincial deficit increased by $400 on a per capita basis, from $323 per capita in 2013 to $723 per capita in 2014. Per capita information for the past five years is shown in the table below.

Revenue & Expenses per Capita - 5 Year Trend



	2010	2011	2012	2013	2014
Revenue	$9,798	$10,502	$10,327	$10,740	$10,681
Expenses	$10,083	$9,882	$10,601	$11,063	$11,404
Surplus (Deficit)	$(285)	$620	$(274)	$(323)	$(723)

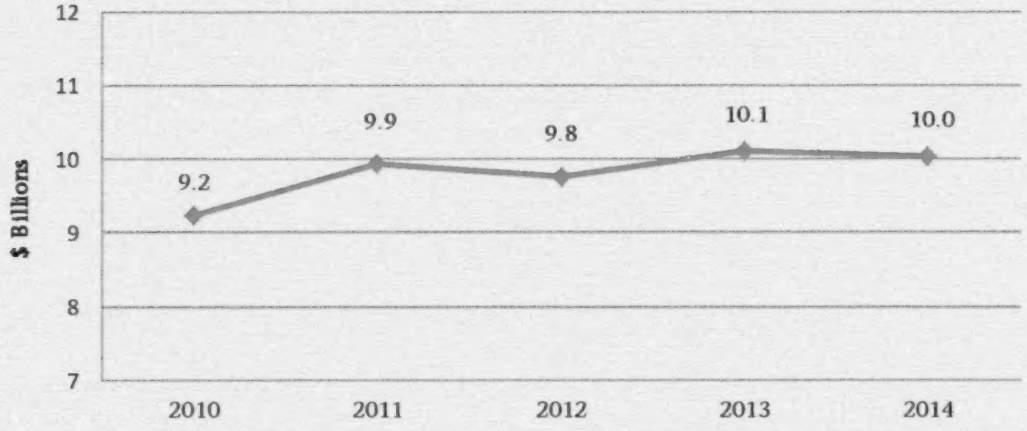
Revenue

On a consolidated basis, total revenue for the year was $231.4 million lower than estimate and $69.0 million lower than the previous year. Changes in revenue from taxes, petroleum royalties, and federal contributions were attributable to the General Revenue Fund. The remaining revenues were earned from a variety of sources by the General Revenue Fund and the Province's controlled entities. Additional details on General Revenue Fund revenue variances are provided in the analysis commencing on page 48 of this publication.

Revenue

($ thousands)	Adjusted Estimate 2014	Actual 2014	Actual 2013	Actual vs Estimate	Actual vs Actual
Provincial Sources					
Tax Revenue					
Income Taxes	2,752,354	2,538,514	2,562,576	(213,840)	(24,062)
Sales Taxes	2,221,927	2,104,766	2,198,518	(117,161)	(93,752)
Other Tax Revenue	130,501	148,507	140,700	18,006	7,807
Other Provincial Revenue					
Petroleum Royalties	20,090	(124,819)	3,535	(144,909)	(128,354)
Recoveries	266,919	368,373	377,443	101,454	(9,070)
Miscellaneous	987,267	1,054,352	1,009,656	67,085	44,696
Net Income from GBEs	350,313	351,257	354,355	944	(3,098)
Investment Income					
Interest	83,939	90,654	83,429	6,715	7,225
Sinking Fund Earnings	107,102	111,470	111,146	4,368	324
	6,920,412	6,643,074	6,841,358	(277,338)	(198,284)
Federal Sources					
Equalization Payments	1,703,711	1,718,183	1,578,829	14,472	139,354
Other Federal Transfers	1,642,406	1,673,872	1,683,936	31,466	(10,064)
	3,346,117	3,392,055	3,262,765	45,938	129,290
Total Revenue	10,266,529	10,035,129	10,104,123	(231,400)	(68,994)

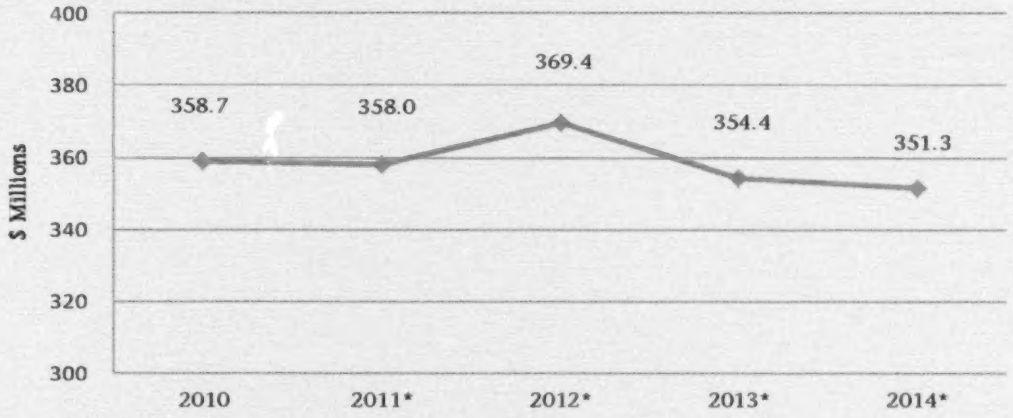
Total Revenue - 5 Year Trend



Net Income from Government Business Enterprises

Net income from government business enterprises (GBEs) decreased by $3.1 million from the previous year to $351.3 million. Net income from GBEs has decreased by $7.4 million since 2010 with a high of $369.4 million in 2012. One of the major contributing factors to the consistency in this revenue source has been the profits derived from the Nova Scotia Liquor Corporation.

Net Income from GBEs - 5 Year Trend

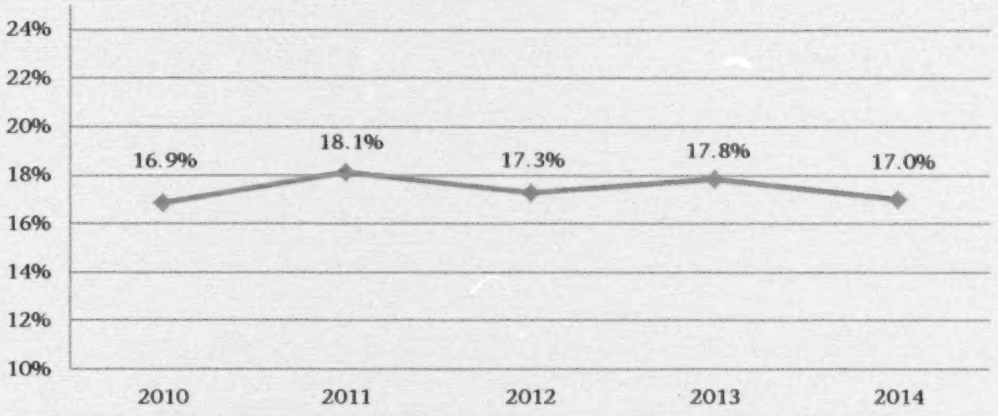


** Prepared in accordance with International Financial Reporting Standards (IFRS)*

Own Source Revenue to Gross Domestic Product

This ratio measures the extent to which the Province is earning income out of the provincial economy, either through taxation or user fees. Own source revenue as a percentage of nominal gross domestic product (GDP) has remained relatively stable over the last five years, from a low of 16.9 per cent in 2010 to a high of 18.1 per cent in 2011, meaning that the Province has not significantly changed its demands on the provincial economy during this time.

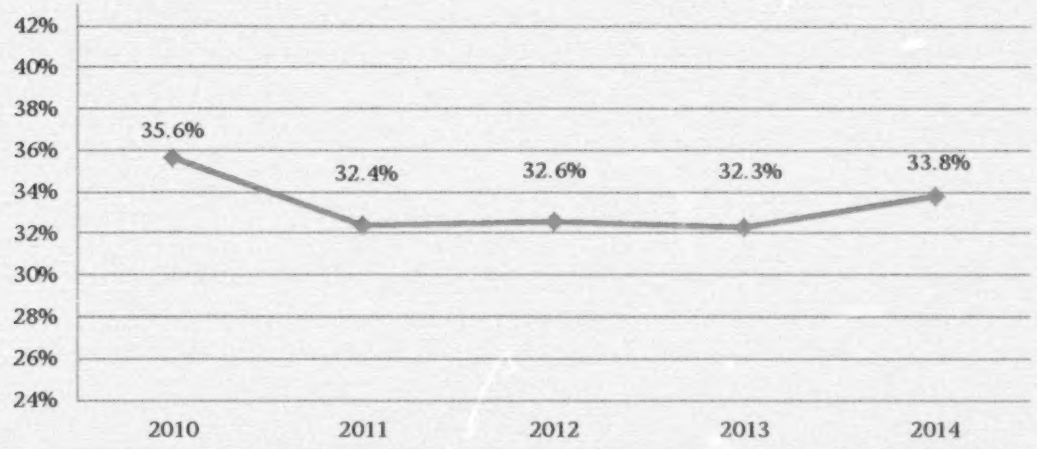
Own Source Revenue to GDP - 5 Year Trend



Federal Transfers to Total Revenue

This ratio measures the extent of funding from the federal government. These transfers are dependent on policy decisions at the federal level and are generally outside the control of the provincial government. Federal transfers as a percentage of total revenue increased 1.5 percentage points from the previous year to 33.8 per cent. The percentage of federal transfers to total revenue remained relatively consistent for the Province over the past five years, ranging from a low of 32.3 per cent in 2013 to a high of 35.6 per cent in 2010 during Canada's stimulus funding under the Economic Action Plan.

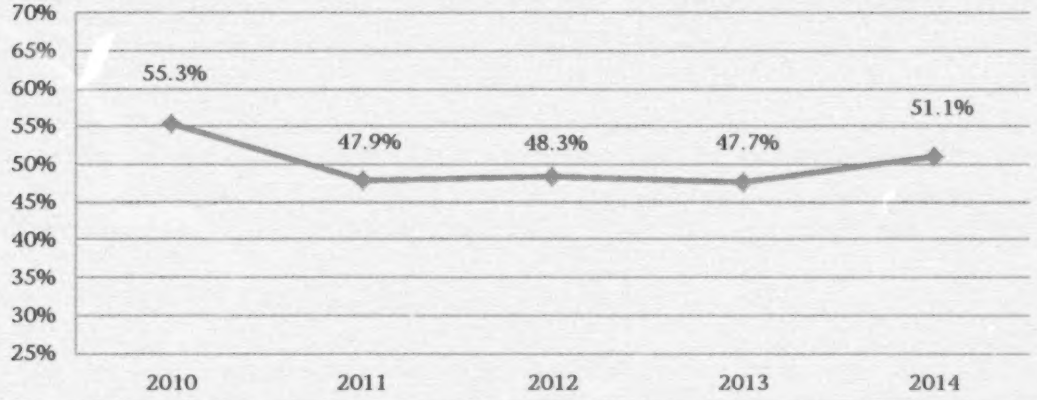
Federal Transfers to Total Revenue - 5 Year Trend



Federal Transfers to Own Source Revenue

This ratio measures the extent to which the Province raises its own revenue from within the province as compared to the amount it receives from the federal government. Federal transfers as a percentage of own source revenue increased 3.4 percentage points from the previous year to 51.1 per cent. The percentage of federal transfers to own source revenue over the past five years ranged from a low of 47.7 per cent in 2013 to a high of 55.3 per cent in 2010 during Canada's stimulus funding under the Economic Action Plan.

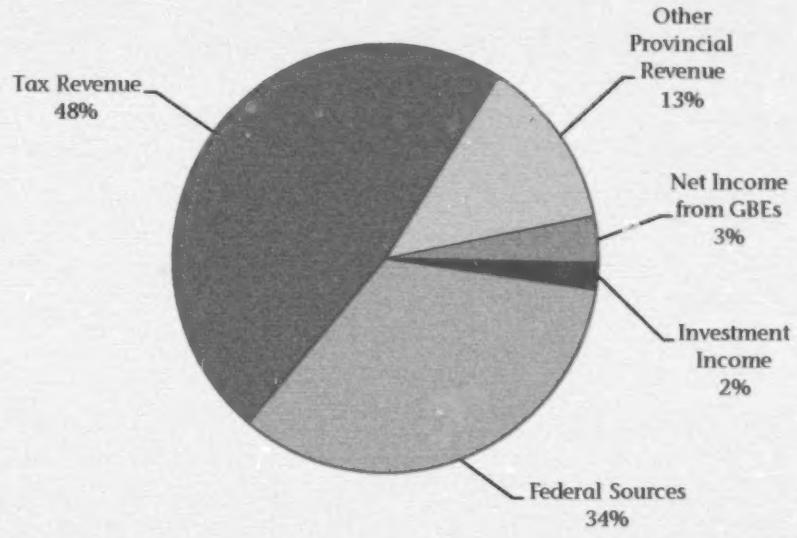
Federal Transfers to Own Source Revenue - 5 Year Trend



Revenue by Source

The Province's revenue by major sources remained consistent over the past five years. The related breakdown for 2014 was as follows:

Revenue by Source - 2014



Expenses

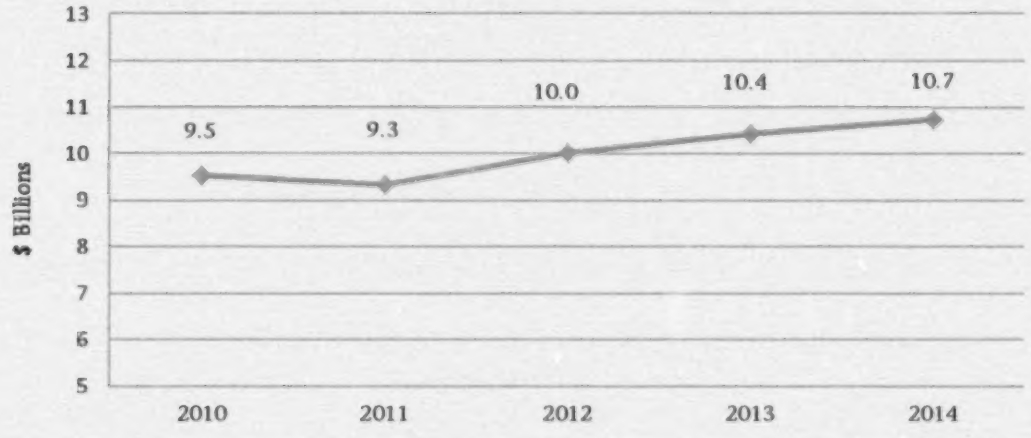
The nature of the Province's expenses remained consistent with the prior year. The health and education sectors made up 52.6 per cent of total expenses (2013 - 52.8 per cent). Total expenses were $463.9 million higher than estimate. Pension Valuation Adjustment, Health and Wellness, and Community Services expenses were over budget by a combined $454.2 million, and the remaining expenses were over budget by a combined $9.7 million.

Total expenses were $306.3 million higher than the prior year primarily due to an increase of $279.7 million in Pension Valuation Adjustment, $114.8 million in Health and Wellness, and $40.2 million in Transportation and Infrastructure Renewal. These increases were offset by decreases of $35.3 million in Debt Servicing Costs, $38.6 million in Finance and $25.2 million in Refundable Tax Credits, which are both included in Other Expenses, and remaining expenses combined for a decrease of $29.3 million.

Expenses
($ thousands)

	Adjusted Estimate 2014	Actual 2014	Actual 2013 *(as restated)*	Actual vs Estimate	Actual vs Actual
Health and Wellness	4,066,577	4,190,457	4,075,656	123,880	114,801
Education	1,401,881	1,442,134	1,422,771	40,253	19,363
Community Services	1,003,600	1,056,559	1,029,692	52,959	26,867
Labour and Advanced Education and Universities	740,494	761,151	769,748	20,657	(8,597)
Transportation and Infrastructure Renewal	426,837	457,911	417,747	31,074	40,164
Justice	315,354	314,424	312,981	(930)	1,443
Service Nova Scotia and Municipal Relations	251,637	266,288	270,102	14,651	(3,814)
Pension Valuation Adjustment	110,793	388,160	108,510	277,367	279,650
Debt Servicing Costs	906,252	886,195	921,484	(20,057)	(35,289)
Other Expenses	1,026,715	950,741	1,079,063	(75,974)	(128,322)
Total Expenses	10,250,140	10,714,020	10,407,754	463,880	306,266

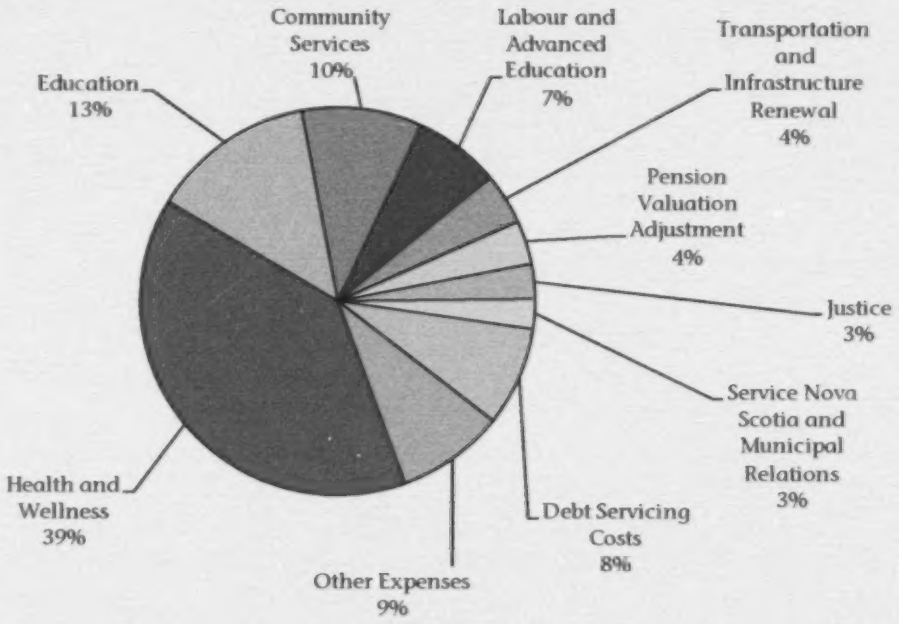
Total Expenses - 5 Year Trend



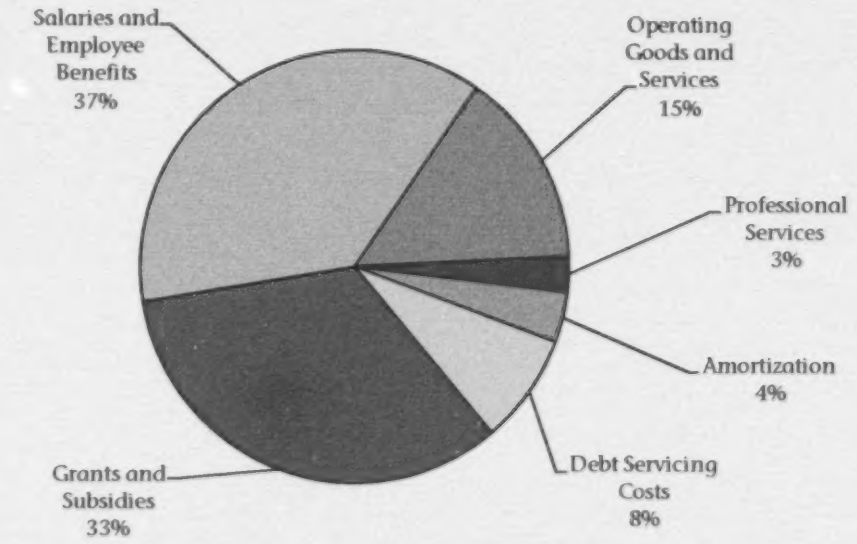
Expenses by Function and by Object

The Province's expenses by major activities and by object remained consistent over the past five years. The related breakdowns for 2014 were as follows:

Expenses By Function - 2014



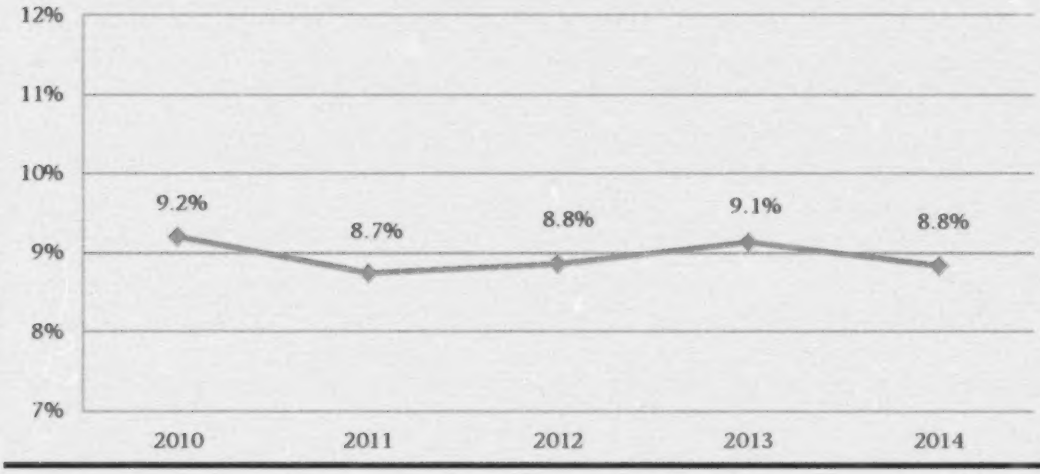
Expenses By Object - 2014



Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to pay for program initiatives. A lower ratio means that there is more revenue available to provide government services. The percentage of debt servicing costs to total revenue decreased 0.3 percentage points from the previous year to 8.8 per cent. Over the past five years, the ratio decreased from 9.2 per cent in 2010 to a 8.8 per cent in 2014.

Debt Servicing Costs to Total Revenue - 5 Year Trend



Net Debt

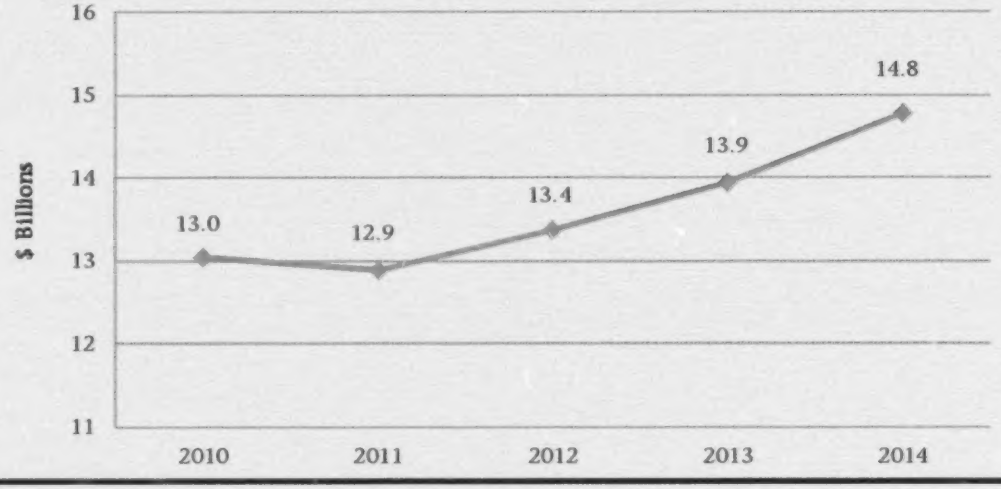
The Consolidated Statement of Financial Position reports the balances of financial assets, liabilities, and non-financial assets. The balance of net debt is a key measure of the Province's financial position, and accumulated deficits is a secondary measure.

Net debt is the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net debt represents the liabilities needed to be funded from future revenues, including taxation. These amounts remain an obligation for future generations to fund through annual surpluses or to continue to carry as debt. Net debt results when a government's total liabilities exceed its total financial assets.

Net debt was $14.8 billion at March 31, 2014, $819.4 million higher than the previous year due to the $678.9 million deficit and $143.8 million net investment in tangible capital assets. Other small changes to the balance of net debt were an increase of $2.3 million in supplies inventory offset by a decrease of $5.6 million in prepaid expenses.

The Province of Nova Scotia reported net debt in the past five years as follows:

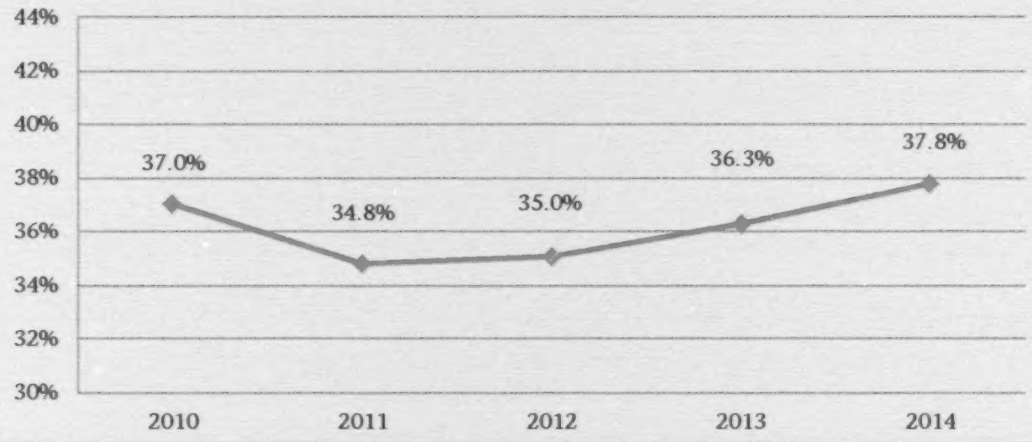
Net Debt - 5 Year Trend



Net Debt to Gross Domestic Product

Net debt as a percentage of the provincial GDP provides a measure of the level of financial demands placed on the economy by the Province's spending and taxation policies. A higher ratio means the net debt of the Province is more onerous on future generations. This ratio increased 1.5 percentage points to 37.8 per cent in 2014. Over the past five years, this ratio ranged from a low of 34.8 per cent in 2011 to a high of 37.8 per cent in 2014.

Net Debt to GDP - 5 Year Trend

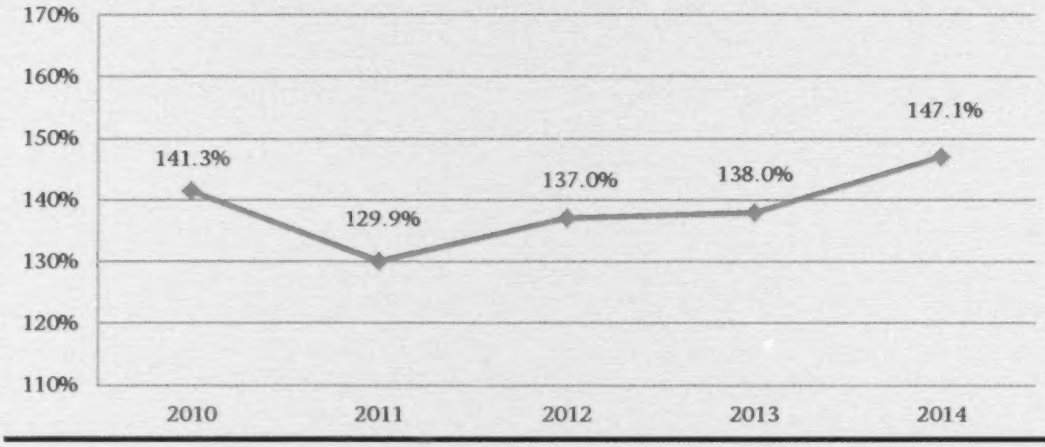


Net Debt to Total Revenue

Net debt provides a measure of the future revenues required to pay for past deficits and investments in non-financial assets. An increasing ratio of net debt to total revenue would indicate that more time is necessary to eliminate net debt.

Net debt as a percentage of total revenue increased 9.1 percentage points from the previous year to 147.1 per cent. Over the past five years, this ratio ranged from a low of 129.9 per cent in 2011 to a high of 147.1 per cent in 2014.

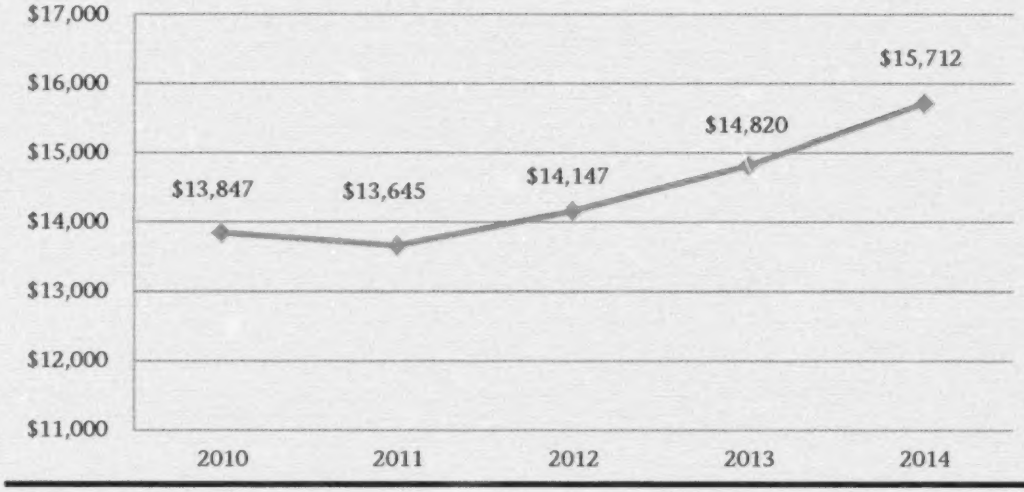
Net Debt to Total Revenue - 5 Year Trend



Net Debt per Capita

Net debt per capita increased $892 from $14,820 in 2013 to $15,712 in 2014. An increase in net debt per capita shows that the Province's debt is increasing at a faster rate than the growth in Nova Scotia's population.

Net Debt per Capita - 5 Year Trend

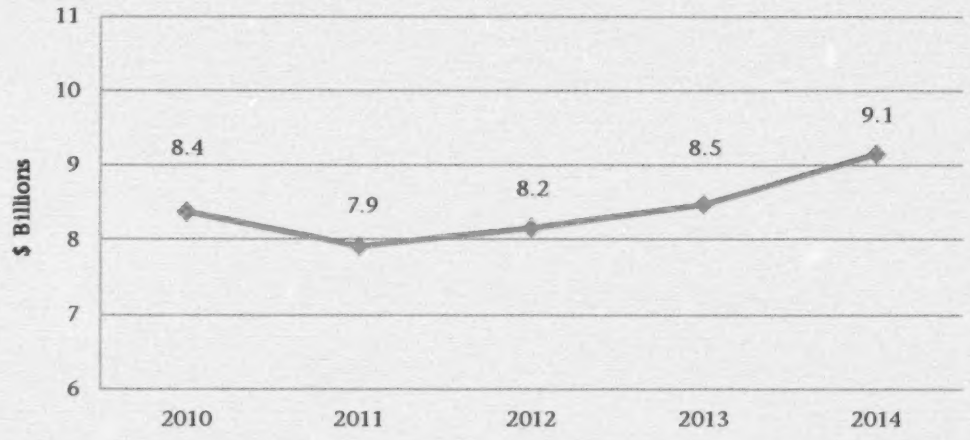


Accumulated Deficits

Accumulated deficits represent the difference between the Province's liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits were $9.1 billion at the end of 2014, higher compared to 2013 as a result of the current year's deficit of $678.9 million.

The Province of Nova Scotia reported accumulated deficits in the past five years as follows:

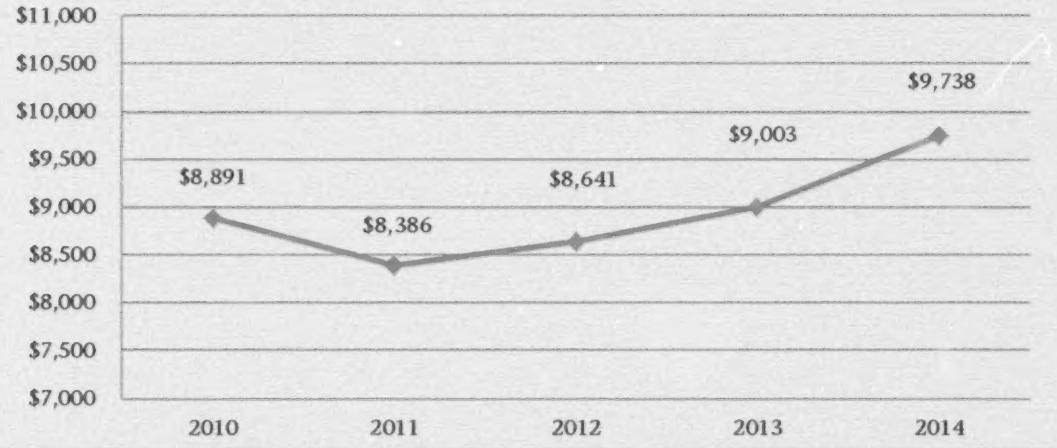
Accumulated Deficits - 5 Year Trend



Accumulated Deficits per Capita

Accumulated deficits increased $735 per capita from $9,003 in 2013 to $9,738 in 2014. Over the past five years, accumulated deficits per capita ranged from a low of $8,386 in 2011 to a high of $9,738 in 2014 with an overall increase of $847 since 2010.

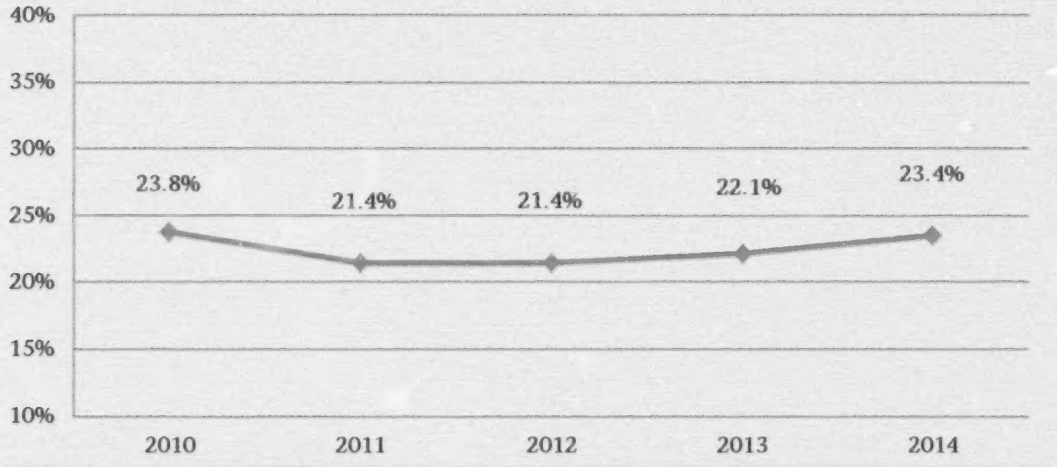
Accumulated Deficits per Capita - 5 Year Trend



Accumulated Deficits to Gross Domestic Product

Accumulated deficits expressed as a percentage of GDP increased 1.3 percentage points from 22.1 per cent in 2013 to 23.4 per cent in 2014 mainly due to the deficit being partially offset by the growth in GDP. Over the past five years, accumulated deficits to GDP ranged from a low of 21.4 per cent in 2011 and 2012 to a high of 23.8 per cent in 2010. The overall decline in this ratio was 0.4 percentage points since 2010.

Accumulated Deficits to GDP - 5 Year Trend



Financial Assets

Financial Assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets decreased $97.1 million from the previous year to $3.9 billion at the end of 2014. Cash and Short-Term Investments decreased by $129.0 million as a result of the operating, investing, capital, and financing activities explained on page 43. Accounts Receivable were $77.6 million lower than last year.

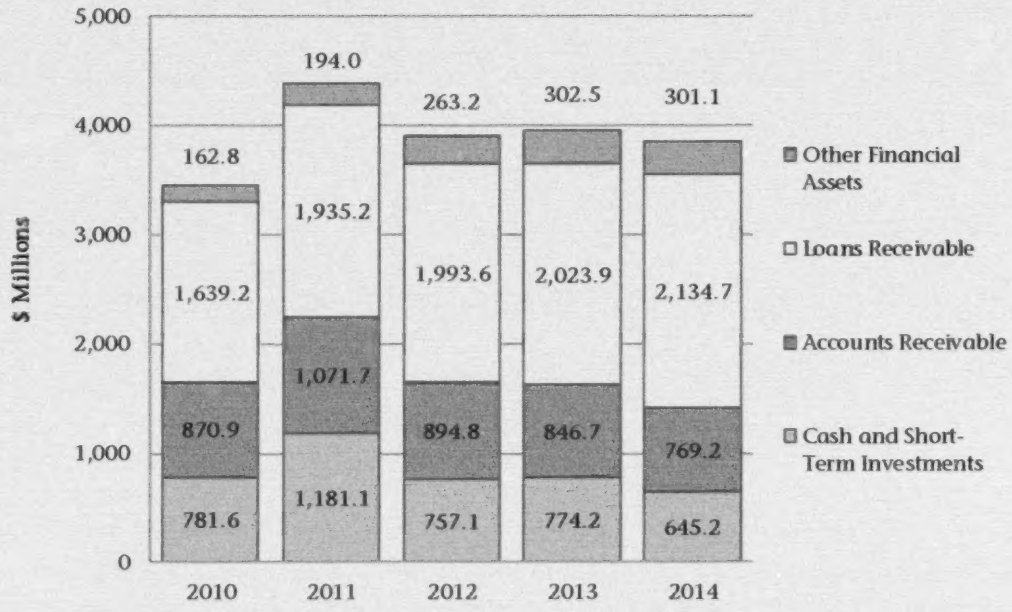
Loans Receivable increased from last year by $110.8 million due to additional lending net of repayments by the General Revenue Fund of $78.5 million, an increase of $26.1 million in the loan portfolio of Nova Scotia Municipal Finance Corporation, and a combined $6.2 million increase in the loan portfolios of other controlled entities. The General Revenue Fund's loan portfolios related to the *Nova Scotia Jobs Fund Act* and *Agriculture and Rural Credit Act* increased by $65.2 million and $11.2 million, respectively over last year.

Financial Assets

($ thousands)

	Actual 2014	% of Total	Actual 2013	% of Total	Variance Increase (Decrease)
Cash and Short-Term Investments	645,206	16.8%	774,202	19.6%	(128,996)
Accounts Receivable	769,169	20.0%	846,737	21.4%	(77,568)
Loans Receivable	2,134,742	55.4%	2,023,912	51.3%	110,830
Other Financial Assets	301,074	7.8%	302,473	7.7%	(1,399)
Total Financial Assets	3,850,191	100.0%	3,947,324	100.0%	(97,133)

Financial Assets - 5 Year Trend



Investment in Government Business Enterprises

Other financial assets include the Province's financial position in its government business enterprises (GBEs), which has continually improved from a net investment of $85.8 million at March 31, 2010 to a net investment of $141.4 million at March 31, 2014. The Province's investment in GBEs increased by $29.2 million from the previous year.

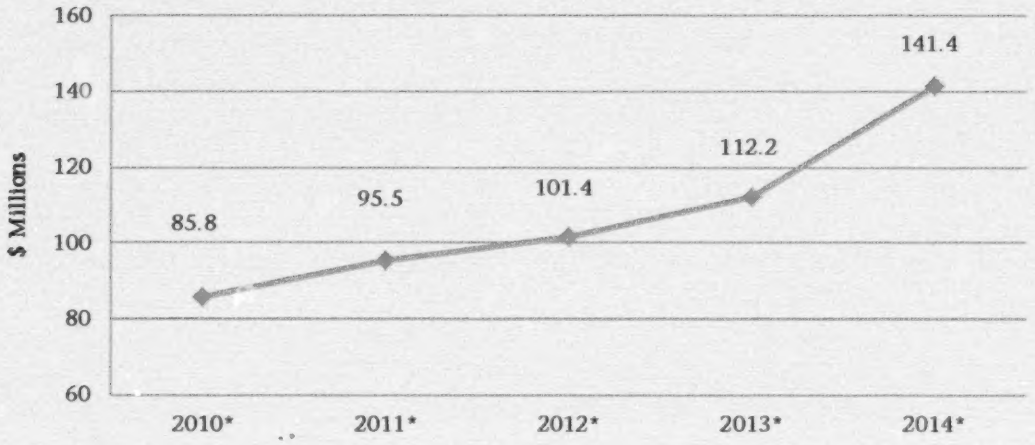
As publicly accountable enterprises, GBEs follow International Financial Reporting Standards (IFRS). Four of the Province's GBEs converted their accounting principles to IFRS effective January 1, 2011 and prepared their 2012 financial statements including comparative information for 2011 in compliance with IFRS for the first time. In addition to this conversion to IFRS, Nova Scotia Liquor Corporation changed the presentation of its payable to the Minister of Finance from a liability to equity on a retroactive basis.

Effective April 1, 2012, Government Not-For-Profit Organizations (GNFPOs) adopted public sector accounting standards (PSAS) on a retroactive basis. As a result, Capital District Health Authority identified and consolidated the Queen Elizabeth II Health Sciences Centre Auxiliary as a GBE under its control. This GBE operates as Partners for Care.

Over the past five years, the Province's investment in its GBEs increased by $55.6 million. Net equity of the Halifax-Dartmouth Bridge Commission increased $46.7 million, Highway 104 Western Alignment Corporation decreased $2.7 million, Nova Scotia Provincial Lotteries and Casino Corporation increased $10.2 million, and Nova Scotia Liquor Corporation increased $1.3 million. The equity of Partners for Care was $0.1 million at the end of 2014.

More detailed information about the Province's GBEs is provided in Schedule 6 of the Public Accounts on page 103 of this publication.

Investment in GBEs - 5 Year Trend



* *Prepared in accordance with International Financial Reporting Standards (IFRS).*

Liabilities

Liabilities, consisting of debts or monetary obligations owing at March 31, 2014 to be paid in the future with cash or other assets, increased by $722.2 million over the previous year to $18.6 billion. Pension, Retirement and Other Obligations increased by $443.3 million mainly due to the $318.3 million write-off of the Public Service Superannuation Plan's net position as well as changes in external valuations including updated member data, actuarial assumptions, and plan amendments. Unmatured Debt increased $122.2 million over the previous year due primarily to $964.8 million of debt issued mostly by the General Revenue Fund and $274.6 million in sinking fund withdrawals. These funds were used to finance the annual deficit and activities of crown corporations, acquire tangible capital assets, and refinance maturing debt. These borrowings were offset by $1,014.0 million in debt repayments and $111.5 million in sinking fund earnings.

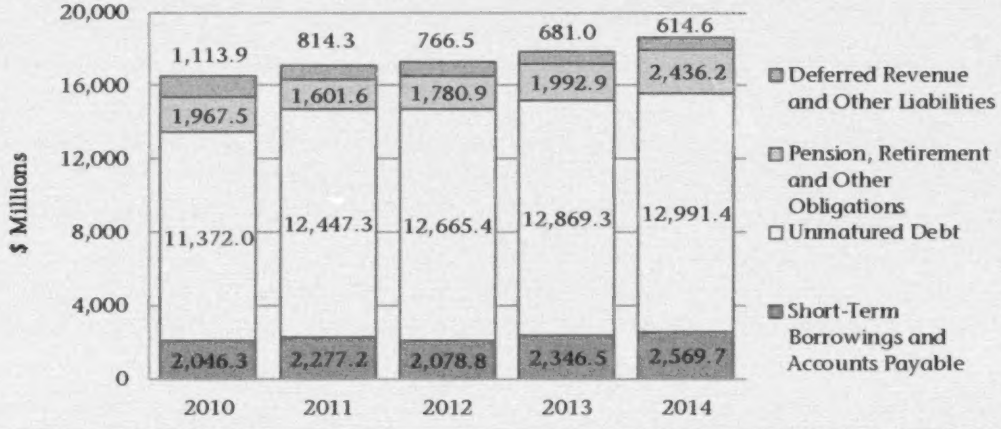
Other changes to liabilities included an increase in Accounts Payable and Accrued Liabilities of $234.0 million offset by decreases of $14.4 million in Deferred Revenue and $62.9 million in Other Liabilities and Short-Term Borrowings. Information on Deferred Revenue is provided in Note 5 of the Public Accounts on page 81.

Liabilities

($ thousands)

	Actual 2014	% of Total	Actual 2013	% of Total	Variance Increase (Decrease)
			(as restated)		
Bank Advances and Short-Term Borrowings	539,565	2.9%	550,440	3.1%	(10,875)
Accounts Payable and Accrued Liabilities	2,030,107	10.9%	1,796,086	10.1%	234,021
Deferred Revenue	230,900	1.2%	245,339	1.4%	(14,439)
Unmatured Debt	12,991,397	69.8%	12,869,245	71.9%	122,152
Pension, Retirement and Other Obligations	2,436,241	13.1%	1,992,939	11.1%	443,302
Other Liabilities	383,728	2.1%	435,647	2.4%	(51,919)
Total Liabilities	18,611,938	100.0%	17,889,696	100.0%	722,242

Liabilities - 5 Year Trend

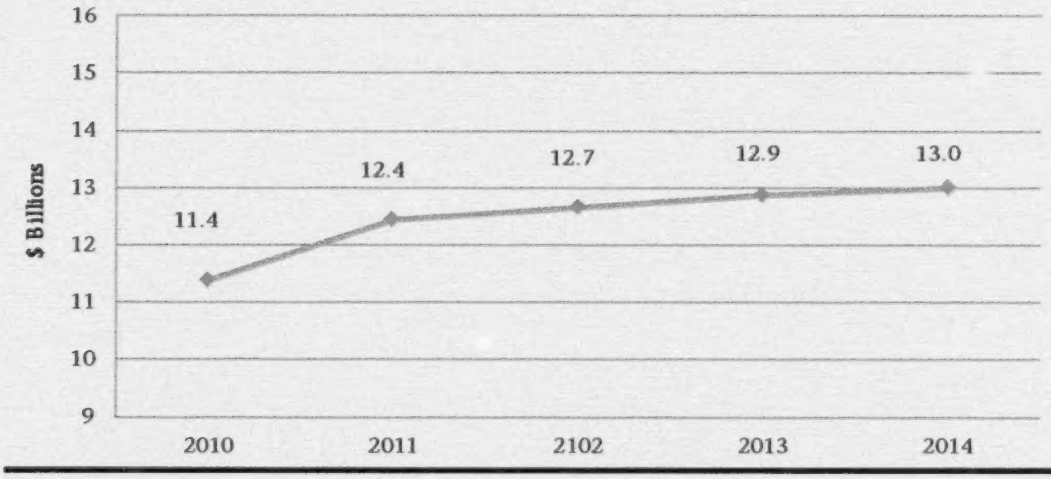


Unmatured Debt

Unmatured debt increased to $13.0 billion as at March 31, 2014, of which $12.8 billion is attributable to the General Revenue Fund, $189.6 million to Housing Nova Scotia, and $9.5 million to other controlled entities.

Over the past five years, unmatured debt increased from a low of $11.4 billion in 2010 to a high of $13.0 billion in 2014.

Unmatured Debt - 5 Year Trend



Unmatured Debt per Capita

Unmatured debt increased $149 per capita from $13,679 in 2013 to $13,828 in 2014. Over the past five years, unmatured debt per capita ranged from a low of $12,071 in 2010 to a high of $13,828 in 2014, an increase of $1,757 per capita during that period.

Unmatured Debt per Capita - 5 Year Trend

Credit Ratings

The Province of Nova Scotia's credit ratings were confirmed by all three major credit rating agencies during 2013. Dominion Bond Rating Service (DBRS) upgraded the Province's credit rating to "A (high)" with a stable outlook, Standard and Poor's confirmed the Province's credit rating at "A+" (stable outlook) in July 2013, and Moody's Investor Services Inc. confirmed the rating at "Aa2" (stable outlook) in July 2013. The following table details these Nova Scotia ratings relative to its provincial peers. Note that (neg) refers to a negative outlook and (pos) a positive outlook, indicating the rating agency may change the respective province's credit rating over the next year.

Canadian Provincial Credit Ratings

Province	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+	A (high)
New Brunswick	Aa2	A+	A (high)
Newfoundland and Labrador	Aa2	A+	A
Prince Edward Island	Aa2	A	A (low)
Quebec	Aa2	A+	A (high)
Ontario	Aa2 (neg)	AA- (neg)	AA (low)
Manitoba	Aa1	AA	A (high)
Saskatchewan	Aa1 (pos)	AAA	AA
Alberta	Aaa	AAA	AAA
British Columbia	Aaa (neg)	AAA	AA (high)
Canada	Aaa	AAA	AAA

Capital Markets Issuance Initiatives

The Province borrows funds in capital markets on an ongoing basis to refinance maturing debt, fund budgetary deficits, acquire tangible capital assets, and lend monies to crown corporations. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the Province's borrowing needs. However, the relationship is not exact as there may be a number of cash flow timing differences.

The Province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The Province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of those funds. These discretionary sinking funds can only be used to repay debt.

In 2014, the Province borrowed $975.0 million in long-term debt through the General Revenue Fund as market conditions and opportunities continued to be favourable. This amount included some pre-borrowing to take advantage of investor demand for floating interest rate notes. The borrowing program was completed by way of four floating interest rate notes: a $500 million floating interest rate note with the quarter interest rate resetting to the Canadian Dollar Overnight Rate (CDOR) and $475 million in three tranches of floating interest rate notes resetting to the Canadian Overnight Repo Rate Average (CORRA). The latter is the weighted average rate of overnight general (non-specific) collateral repo trades that occurred through designated inter-dealer brokers on the specified date as reported to the Bank of Canada. The Province of Nova Scotia was the first to issue what has been termed a "CORRA floater" with the intent to diversify its portfolio of short-term debt instruments.

While the deficit was $678.9 million in 2014, many of the causes for the increase were in non-cash expenses and had no impact on the borrowing requirements for 2014. The General Revenue Fund also made lower net capital advances to crown corporations than anticipated in the Estimates. As a result, the Province pre-borrowed for future years.

Financial Risk Management

In order to more fully access global capital markets, the Province maintains the ability to borrow in currencies other than the Canadian dollar through a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Foreign Currency Risk

There were no foreign currency borrowings during the 2014 fiscal year. The Province has mitigated its exposure to foreign currency debt in recent years through the active use of derivatives where appropriate and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2014, the Province's debt continued to have no exposure to foreign currency fluctuations. This position did not change in comparison to March 31, 2013.

The Province's sinking funds held no assets in US dollars as at March 31, 2014, other than the Province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

Public Sector Accounting Standards require that all financial amounts in the financial statements be presented in Canadian dollars. Conversion of un-hedged foreign currency amounts outstanding is calculated annually at March 31. That conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 78, the foreign exchange gains or losses on long-term financial items are amortized over the remaining life of the related item. At year-end, unamortized foreign exchange was in a net gain position of $110.8 million on the Province's Consolidated Statement of Financial Position.

Interest Rate Risk

As a net debtor in financial markets, the Province is exposed to the risks posed by movements in interest rates. The Province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The Province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the Province of its gross debt and sinking fund asset portfolios.

The debt portfolio's exposure to floating interest rates increased to 12.1 per cent for the fiscal year ended March 31, 2014, up from 9.6 per cent a year earlier. The Province is able to exercise control of this variable in the portfolio by maintaining access to both floating and fixed interest rate instruments in capital markets and through the use of derivatives. With 87.9 per cent of the total principal in fixed interest rate form (2013 - 90.4 per cent), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2014, the average term to maturity of the gross debt portfolio stood at 15.4 years, down 0.8 years from a year earlier due to the short-dated issuances during the fiscal year.

Non-Financial Assets

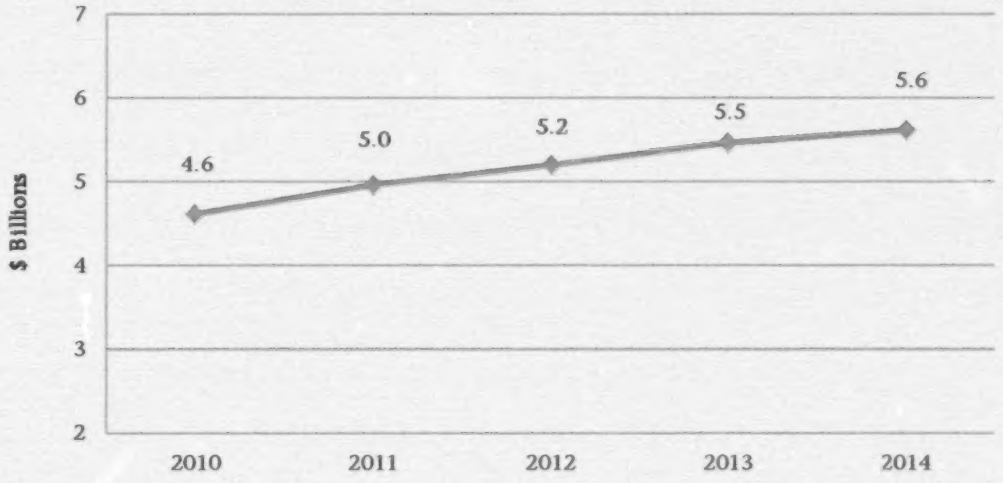
Non-Financial Assets are a component of the Province's financial position and are assets to be used during the provision of services in the future. Non-Financial Assets consist primarily of Tangible Capital Assets but also include Inventories of Supplies and Prepaid Expenses. Total Non-Financial Assets increased by $140.5 million from $5.5 billion a year ago to $5.6 billion at March 31, 2014. Over the past five years, total Non-Financial Assets increased from $4.6 billion at the end of 2010 to $5.6 billion at the end of 2014, largely in the form of net investments in Tangible Capital Assets.

Non-Financial Assets

($ thousands)

	Actual 2014	% of Total	Actual 2013	% of Total	Variance Increase (Decrease)
Tangible Capital Assets	5,543,972	98.8%	5,400,182	98.6%	143,790
Inventories of Supplies	54,763	1.0%	52,481	1.0%	2,282
Prepaid Expenses	13,848	0.2%	19,436	0.4%	(5,588)
Total Non-Financial Assets	5,612,583	100.0%	5,472,099	100.0%	140,484

Non-Financial Assets - 5 Year Trend



Tangible Capital Assets

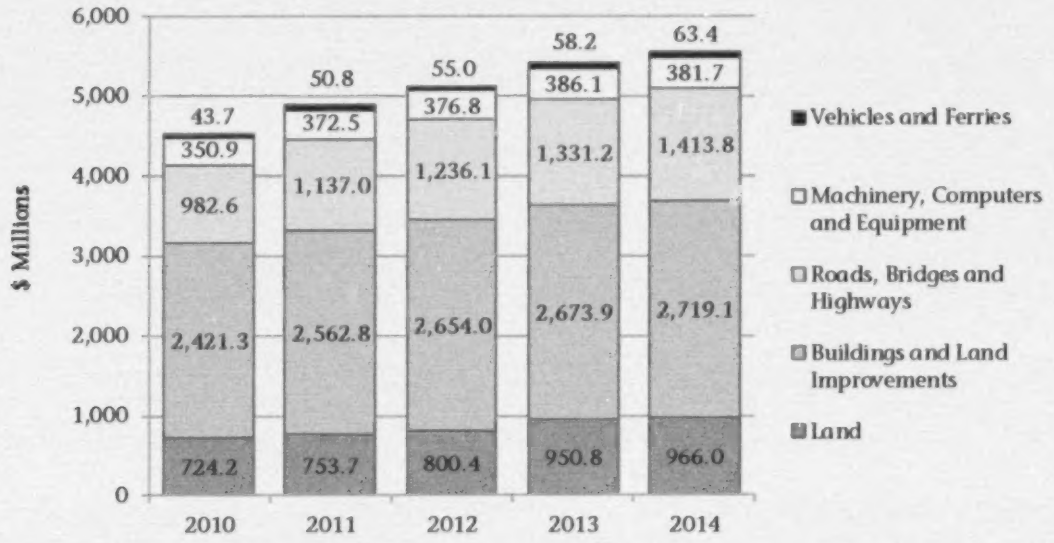
The net book value (acquisition cost less accumulated amortization) of Tangible Capital Assets is a significant asset to the Province, totaling $5.5 billion at the end of 2014, an increase of $143.8 million from the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, and hospitals, as well as a large number of leased schools and the correctional forensic facility.

Tangible Capital Assets (Net Book Value)

($ thousands)

	Actual 2014	% of Total	Actual 2013	% of Total	Variance Increase (Decrease)
Land	965,999	17.4%	950,832	17.6%	15,167
Buildings and Land Improvements	2,719,065	49.1%	2,673,861	49.4%	45,204
Roads, Bridges and Highways	1,413,770	25.5%	1,331,208	24.7%	82,562
Machinery, Computers and Equipment	381,711	6.9%	386,117	7.2%	(4,406)
Vehicles and Ferries	63,427	1.1%	58,164	1.1%	5,263
Total Tangible Capital Assets	5,543,972	100.0%	5,400,182	100.0%	143,790

Tangible Capital Assets - 5 Year Trend

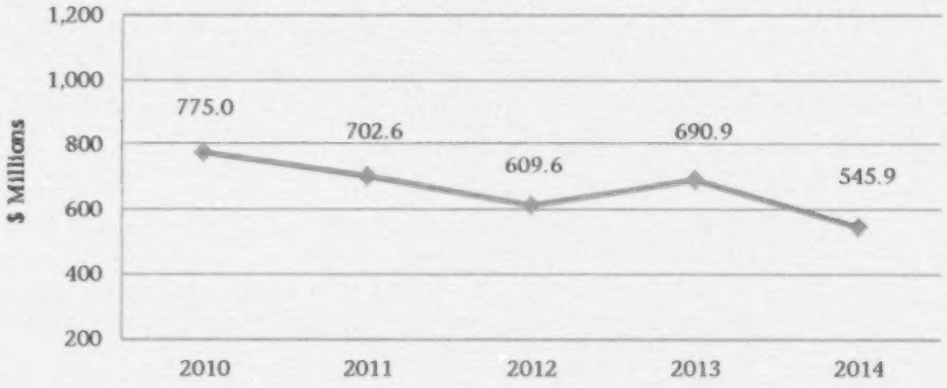


Acquisition of Tangible Capital Assets

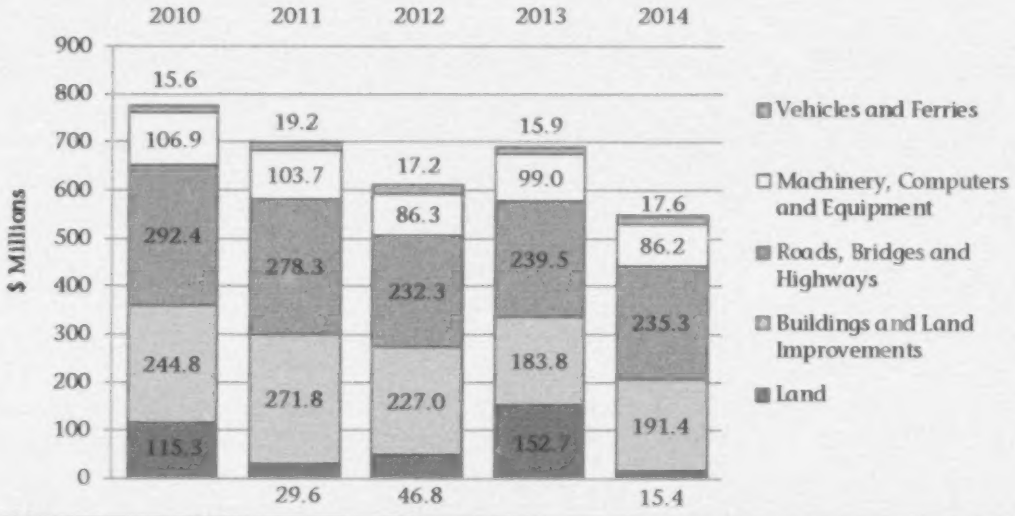
Acquisitions and transfers of Tangible Capital Assets totaled $545.9 million in 2014 compared to $690.9 million in 2013. Additions to Buildings and Land Improvements totaled $191.4 million (2013 - $183.8 million), of which $150.0 million related to the construction and improvement of buildings in the General Revenue Fund, $30.4 million related to the District Health Authorities, $4.5 million related to social housing, and $6.5 million related to other additions made by various governmental units.

New land totaling $15.4 million (2013 - $152.7 million) was acquired during the year, and additions to Roads, Bridges and Highways totaled $235.3 million (2013 - $239.5 million). Additions to Machinery, Computers and Equipment during the year were $86.2 million (2013 - $99.0 million), of which $37.0 million was attributable to the General Revenue Fund, $41.6 million to the District Health Authorities, and $7.6 million to various other governmental units. Over the past five years, acquisitions of Tangible Capital Assets ranged from a low of $545.9 million in 2014 to a high of $775.0 million in 2010.

Tangible Capital Assets (Acquisitions at Gross Cost)



5 Year Trend (By TCA Category)



Cash Flows

The Province records its transactions on an accrual basis in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, the timing of which may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 74 of this publication details the increases and decreases in the Province's cash flows in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

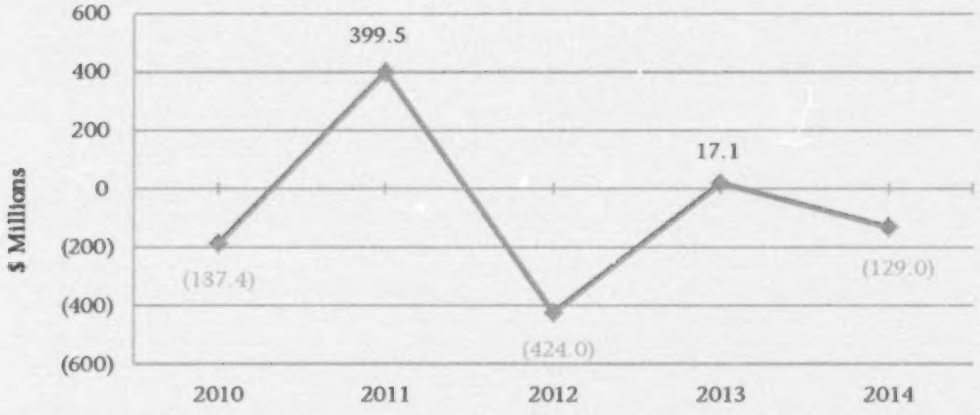
During 2014, the Province's overall cash position decreased by $129.0 million. Cash inflows of $327.0 million were generated from operating activities and $196.1 million from financing activities related to debt issuances. Cash outflows were used to purchase $545.9 million in tangible capital assets, $439.8 million in investments offset by $317.4 million in loan repayments, and $16.2 million in other net cash inflows.

Cash Flows by Activity

($ thousands)

	Actual 2014	Actual 2013	Variance Increase (Decrease)
Operating	327,030	451,694	(124,664)
Investing	(111,507)	(25,520)	(85,987)
Capital	(540,631)	(675,388)	134,757
Financing	196,112	266,330	(70,218)
Net Inflows (Outflows)	(128,996)	17,116	(146,112)

Net Cash Flows - 5 Year Trend



Risk

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements on page 79 of this publication. Financial risks, including foreign currency risk and interest rate risk, are also discussed on page 39 as well as in Note 13 of the Public Accounts on page 91.

SELECTED HIGHLIGHTS OF THE GENERAL REVENUE FUND

for the fiscal year ended March 31, 2014

Selected Highlights of the General Revenue Fund

($ thousands)

	Estimate 2014	Actual 2014	Actual 2013
			(as restated)
General Revenue Fund *			
Revenues			
Ordinary Revenue	8,637,984	8,207,189	8,328,551
Ordinary Recoveries	492,876	584,598	551,397
Net Income from Government Business Enterprises	350,313	351,257	354,355
	9,481,173	9,143,044	9,234,303
Expenses			
Departmental Expenses	8,395,151	8,464,872	8,464,794
Refundable Tax Credits	129,356	101,983	127,145
Pension Valuation Adjustment	110,793	388,160	108,510
Debt Servicing Costs	888,891	857,317	897,371
	9,524,191	9,812,332	9,597,820
	(43,018)	(669,288)	(363,517)
Consolidation and Accounting Adjustments for Government Units			
General Revenue Fund Consolidation Adjustments	61,637	8,772	21,326
Health and Hospital Boards Operations	—	(20,759)	23,334
School Board Operations	—	(1,625)	8,880
Special Purpose Funds	(1,062)	4,968	(970)
Other Organizations	(1,168)	(959)	7,316
	59,407	(9,603)	59,886
Provincial Surplus (Deficit)	16,389	(678,891)	(303,631)

* *The General Revenue Fund is comprised of the Province's departments and public service units, but excludes other governmental units and government business enterprises owned or controlled by the Province.*

General Revenue Fund – Revenue

In total, revenue of the General Revenue Fund for the fiscal year ending March 31, 2014 was $338.1 million or 3.6 per cent lower than estimate and $91.3 million or 1.0 per cent lower than the prior year. The table below shows the current year estimate, current and prior year actual revenue, and current year variances compared to estimate and to prior year. The analysis that follows this table includes explanations, by source, for the more significant variances.

Revenue

($ thousands)

	Estimate 2014	Actual 2014	Actual 2013	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Provincial Sources					
Tax Revenue					
Personal Income Tax	2,278,408	2,192,826	2,142,547	(85,582)	50,279
Corporate Income Tax	473,946	425,894	429,493	(48,052)	(3,599)
Harmonized Sales Tax	1,721,788	1,660,056	1,648,664	(61,732)	11,392
Tobacco Tax	227,883	217,229	206,287	(10,654)	10,942
Motive Fuel Tax	251,019	246,800	243,446	(4,219)	3,354
Other Provincial Revenue					
Registry of Motor Vehicles	121,239	120,506	113,434	(733)	7,072
Petroleum Royalties	20,090	20,732	22,748	642	(2,016)
Offshore Licenses Forfeitures	—	100	100	100	—
Other Provincial Sources	292,264	300,928	285,899	8,664	15,029
TCA Cost Shared Revenue	8,260	16,953	9,131	8,693	7,822
Prior Years' Adjustments	—	(258,483)	57,667	(258,483)	(316,150)
Other Fees and Charges	61,707	59,996	68,679	(1,711)	(8,683)
Ordinary Recoveries	266,919	322,533	303,963	55,614	18,570
Gain on Disposal of Crown Assets	—	4,631	15,389	4,631	(10,758)
Net Income from Government Business Enterprises	350,313	351,257	354,355	944	(3,098)
Investment Income					
Interest Revenue	68,841	77,093	76,251	8,252	842
Sinking Fund Earnings	107,102	111,470	111,146	4,368	324
Total Provincial Sources	6,249,779	5,870,521	6,089,199	(379,258)	(218,678)
Federal Sources					
Equalization Payments	1,703,711	1,718,183	1,578,829	14,472	139,354
Canada Health Transfer	833,125	829,861	795,017	(3,264)	34,844
Canada Social Transfer	329,101	327,379	322,957	(1,722)	4,422
Crown Share	9,358	4,577	12,916	(4,781)	(8,339)
Offshore Accord	89,461	89,461	146,059	—	(56,598)
Other Federal Sources	7,764	5,100	7,454	(2,664)	(2,354)
Wait Times Reduction Transfer	6,735	6,700	6,808	(35)	(108)
C50 Public Safety Trust	3,500	3,500	4,000	—	(500)
TCA Cost Shared Revenue	22,682	22,485	24,470	(197)	(1,985)
Ordinary Recoveries	225,957	262,065	247,434	36,108	14,631
Prior Years' Adjustments	—	3,212	(840)	3,212	4,052
Total Federal Sources	3,231,394	3,272,523	3,145,104	41,129	127,419
Total Revenue	9,481,173	9,143,044	9,234,303	(338,129)	(91,259)

General Revenue Fund – Revenue Variance Analysis

Personal Income Tax

Personal Income Tax (PIT) revenue was $85.6 million or 3.8 per cent lower than estimate primarily due to slower than expected growth in both personal taxable income and the yield on personal taxable income. Yield estimates decreased from expected rates of 8.4 per cent in 2013 and 8.6 per cent in 2014 to revised rates of 8.2 per cent and 8.4 per cent, respectively. Similarly, taxable income growth was 1.1 per cent lower in 2013 and 2.0 per cent lower in 2014 compared to estimate. This is consistent with slow growth experienced in compensation of employees. PIT revenues were positively influenced by the elimination of the Graduate Retention Rebate effective December 31, 2013.

Although the growth was slower than expected, PIT revenue was $50.3 million or 2.3 per cent higher than the prior year due to increased personal taxable income.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was $48.1 million or 10.1 per cent lower than estimate due to a decline in the projected levels of national corporate taxable income in both 2013 and 2014 based upon federal estimates. Updated national corporate taxable income growth was 4.7 per cent in 2013 and 2.1 per cent in 2014 compared to estimates of 7.8 per cent and 5.7 per cent, respectively. This was partially offset by a marginal increase in the Province's share of national corporate taxable income compared to estimate.

CIT revenue was $3.6 million or 0.8 per cent lower than the prior year.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was $61.7 million or 3.6 per cent lower than estimate primarily due to a downward revision to the consumer expenditure tax base in 2012. Slower growth in consumer expenditures as well as residential housing investment contributed to the decline as well.

HST revenue was $11.4 million or 0.7 per cent higher than the prior year.

Tobacco Tax

Tobacco Tax revenue was $10.7 million or 4.7 per cent lower than estimate due to lower than projected shipments of fine cut tobacco.

Tobacco Tax revenue was $10.9 million or 5.3 per cent higher than the prior year due to increased per unit tax that exceeded the impact of declining shipments.

Motive Fuel Tax

Motive Fuel Tax revenue was $4.2 million or 1.7 per cent lower than estimate due to gasoline and diesel oil consumption decreases of 1.2 per cent and 3.0 per cent, respectively. Slower than expected growth in compensation of employees and increased prices for both gasoline and diesel oil were the primary factors contributing to the decline in revenue.

Motive Fuel Tax revenue was $3.4 million or 1.4 per cent higher than the prior year due to increased per litre prices.

Other Provincial Sources

Other Provincial Sources were $8.7 million or 3.0 per cent higher than estimate primarily due to an increase of $7.1 million in tax on insurance premiums from higher premiums being charged as a result of increased insured values and overall higher insurance rates. Corporation Capital Tax was $4.2 million higher than estimate due to a one-time change in calculation by the Bank of Montreal and a higher capital base held by financial institutions. These increases were slightly offset by net decreases of $2.6 million in other various provincial revenues.

Other Provincial Sources were $15.0 million or 5.3 per cent higher than the prior year primarily due to an increase of $5.7 million in tax on insurance premiums from higher total premiums being collected as a result of increased insurance values and overall higher insurance rates. Corporation Capital Tax was $4.9 million higher than the prior year due to a one-time change in calculation by the Bank of Montreal and a higher capital base held by financial institutions. Net increases in other revenue sources totaled $4.4 million.

TCA Cost Shared Revenue — Provincial Sources

TCA Cost Shared Revenue from Provincial Sources was $8.7 million or 105.2 per cent higher than estimate and $7.8 million or 85.7 per cent higher than the prior year due to community funding received for the Queen's Hospital renovation project.

Prior Years' Adjustments — Provincial Sources

Prior Years' Adjustments (PYAs) from Provincial Sources were -$258.5 million reflective of updates to the Province's economic forecast and federal government information on forecasted tax yields of PIT and CIT, revisions to HST forecasts for open years, and revenue forecast updates to large corporations tax and offshore petroleum royalties.

PYAs are not budgeted because they cannot be reasonably estimated. The negative PYA revenues were attributable to: -$62.3 million for PIT from lower than expected yield growth in 2012, -$17.9 million for CIT from revised estimates for national corporate taxable income in 2012, and -$39.3 million for HST from recoupment of over-payments of HST entitlements for trans-border flights as well as revisions to forecasts of open years. There was also a negative PYA of -$145.6 million for offshore petroleum royalties due to a significant upward adjustment to estimates of abandonment costs on the Sable Offshore Energy Project (SOEP) and other price fluctuations that altered the accrual of underlying costs. Both of these factors reduced the petroleum royalty revenues reported in previous years.

Prior Years' Adjustments — Provincial Sources (continued)

These decreases were slightly offset by increases of $6.6 million attributable to receiving Large Corporations Tax revenues for closed fiscal years and additional preferred share dividend tax for the 2012 taxation year. The current year revenues and corresponding PYAs are reported on Schedule 1 of the Public Accounts on page 94 as follows:

($ thousands)	2014			2013		
	Current	PYA	Total	Current	PYA	Total
Personal Income Tax	2,192,826	(62,283)	2,130,543	2,142,547	(14,049)	2,128,498
Corporate Income Tax	425,894	(17,923)	407,971	429,493	4,585	434,078
Harmonized Sales Tax	1,660,056	(39,284)	1,620,772	1,648,664	80,680	1,729,344
Petroleum Royalties	20,732	(145,551)	(124,819)	22,748	(19,213)	3,535
Miscellaneous *	—	3,520	3,520	—	1,616	1,616
Large Corporations Tax *	—	3,038	3,038	3,777	4,048	7,825

** Included in Other Tax Revenue on Schedule 1 of the consolidated financial statements*

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries from Provincial Sources were $55.6 million or 20.8 per cent higher than estimate mainly due to the receipt of unbudgeted recoveries of $29.1 million from an accounts payable review of prior year provincial HST expenditures. Other increases related to higher than expected recovery of insured services from third parties in the health sector, funding in Energy from the close-out of Conserve Nova Scotia, additional SAP recoveries in Finance, and recoveries of hot idle costs from the Port Hawkesbury mill.

Ordinary Recoveries from Provincial Sources were $18.6 million or 6.1 per cent higher than the prior year primarily due to $24.0 million of additional HST recoveries from an accounts payable review of prior year provincial HST expenditures. This large increase was partially offset by a $9.7 million reduction in recoveries from the long-term care sector. Other net increases of $4.3 million were from various sources.

Interest Revenue

Interest Revenue was $8.3 million or 12.0 per cent higher than estimate primarily due to better than expected returns in the following areas: $3.3 million from loans to Housing Nova Scotia, $3.3 million from direct lend student loans, and $2.7 million from various short-term investments. These were offset by a net decrease of $1.0 million in other lending programs.

Sinking Fund Earnings

Sinking Fund Earnings were $4.4 million or 4.1 per cent higher than estimate mainly due to better than expected returns in the management of the sinking funds portfolio through purchases and sales of various bonds and short-term investments.

Equalization Payments

Equalization payments were $14.5 million or 0.8 per cent higher than estimate and $139.4 million or 8.8 per cent higher than the prior year due to an increase in the expected payment for the cumulative best-of guarantee. Equalization revenue is based on the Province's election to receive payments as calculated by a federal government Expert Panel.

Canada Health Transfer

Canada Health Transfer (CHT) payments were $3.3 million or 0.4 per cent lower than estimate primarily due to revised federal estimates of the Province's share of the national population.

CHT revenue was $34.8 million or 4.4 per cent higher than the prior year primarily due to the 6.0 per cent annual escalator in the national pool of cash available for distribution, partially offset by revised federal estimates of the Province's share of national population.

Canada Social Transfer

Canada Social Transfer (CST) payments were $1.7 million or 0.5 per cent lower than estimate due to revised federal estimates of the Province's share of the national population.

CST revenue was $4.4 million or 1.4 per cent higher than the prior year primarily due to the legislated 3.0 per cent annual escalator in the national pool of cash available for distribution, partially offset by revised federal estimates of the Province's share of national population.

Crown Share

The Crown Share Adjustment Payment was $4.8 million or 51.1 per cent lower than estimate and $8.3 million or 64.6 per cent lower than the prior year as a result of reduced profitability from the Sable Offshore Energy Project and a negative adjustment related to prior year's revenues.

Offshore Accord

Offshore Accord revenue is calculated based on the one-estimate/one-payment approach and is not re-estimated during the fiscal year. As a result, the revenue was equal to estimate. However, the Offshore Accord payment was $56.6 million or 38.8 per cent lower than the prior year as a result of the decline in offshore natural resource revenues included in the weighted average calculation of Equalization.

Other Federal Sources

Other Federal Sources were $2.7 million or 34.3 per cent lower than estimate and $2.4 million or 31.5 per cent lower than the prior year primarily due to a reduction in Building Canada funding.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries from Federal Sources were $36.1 million or 16.0 per cent higher than estimate primarily due to additional federal gas tax transfers of $29.4 million that were expected in 2015. Other increases included funding for administration of student loans, disaster assistance recoveries, and French language initiatives.

Ordinary Recoveries from Federal Sources were $14.6 million or 5.9 per cent higher than the prior year primarily due to an increase of $12.8 million in municipal gas tax funding plus $1.8 million in various other federal sources.

Prior Years' Adjustments — Federal Sources

Prior Years' Adjustments (PYAs) from Federal Sources were $3.2 million reflective of revised population estimates of open years for the CHT and CST. PYAs are not budgeted because they cannot be reasonably estimated.

The sources of the PYA revenue were attributable to: $3.3 million for Canada Health Transfer and -$0.1 million for Canada Social Transfer. The related current year federal revenues and PYAs are reported on Schedule 1 of the Public Accounts on page 94 as follows:

($ thousands)	2014			2013		
	Current	PYA	Total	Current	PYA	Total
Canada Health Transfer	829,861	3,269	833,130	795,017	(1,780)	793,237
Canada Social Transfer	327,379	(57)	327,322	322,957	940	323,897

General Revenue Fund – Departmental Expenses

Overall, departmental expenses of the General Revenue Fund for the fiscal year ended March 31, 2014 were $69.7 million or 0.8 per cent higher than estimate. The table below shows the current year estimate, current and prior year actual expenses, and current year variance compared to estimate. The analysis that follows this table includes explanations, by department, for the more significant variances.

Departmental Expenses

($ thousands)

Department	Estimate 2014	Actual 2014	Actual 2013 *(as restated)*	Actual vs Estimate Increase (Decrease)
Agriculture	61,973	61,679	63,760	(294)
Communities, Culture and Heritage	60,009	58,110	57,182	(1,899)
Community Services	896,573	941,982	941,824	45,409
Economic and Rural Development and Tourism	130,060	135,915	171,878	5,855
Education and Early Childhood Development	1,105,659	1,115,907	1,110,600	10,248
Energy	26,136	30,336	29,305	4,200
Environment	24,954	24,585	24,737	(369)
Finance	41,444	40,704	37,664	(740)
Fisheries and Aquaculture	9,044	9,015	8,474	(29)
Health and Wellness	3,910,819	3,913,470	3,857,460	2,651
Justice	309,801	312,961	311,631	3,160
Labour and Advanced Education	353,412	367,601	345,474	14,189
Assistance to Universities	337,152	336,749	380,847	(403)
Natural Resources	85,072	84,831	99,354	(241)
Public Service	165,931	157,483	160,492	(8,448)
Seniors	1,859	1,813	1,748	(46)
Service Nova Scotia and Municipal Relations	247,315	265,745	269,607	18,430
Transportation and Infrastructure Renewal	425,458	457,265	419,286	31,807
Restructuring Costs	202,480	148,721	173,471	(53,759)
Total Departmental Expenses	8,395,151	8,464,872	8,464,794	69,721

Request for final additional appropriations for year-end adjustments must be submitted to the Governor-in-Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 60 and 61.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. This table provides the expenses by department prior to consolidation, as compared to the prior fiscal year and the budget, which are the Estimates as approved by the Legislature in the annual *Appropriations Act*.

General Revenue Fund – Expense Variance Analysis

Communities, Culture and Heritage

Department of Communities, Culture and Heritage expenses were $1.9 million or 3.2 per cent lower than estimate primarily due to amortization savings as a result of the change in the anticipated available-for-use date of the Bluenose II.

Community Services

Department of Community Services expenses were $45.4 million or 5.1 per cent higher than estimate primarily due to Income Assistance and Employment Support being $24.4 million over spent as a result of April 2014 client payments of $12.5 million being paid in March 2014 and increased costs of $11.9 million from higher than expected client volumes. The Services for Persons with Disabilities program was $15.5 million over spent as a result of April 2014 payments of $5.0 million being paid in March 2014 and increased client costs of $10.5 million. The remainder of the variance is due to increased expenses of $6.1 million in Family and Children's Services, offset by $0.6 million in under spending in various other programs.

Economic and Rural Development and Tourism

Department of Economic and Rural Development and Tourism expenses were $5.9 million or 4.5 per cent higher than estimate primarily due to $11.2 million of increased spending by the Nova Scotia Jobs Fund.

These increases were offset by $4.3 million of savings in the two components of the Productivity Investment program (the Capital Investment Incentive and the Workplace Innovation and Productivity Skills Incentive) due to the timing of claims for reimbursement. Staff vacancies and net program savings of $1.0 million throughout the department accounted for the remaining difference.

Education and Early Childhood Development

Department of Education and Early Childhood Development expenses were $10.2 million or 0.9 per cent higher than estimate primarily due to increased spending of $10.4 million to enhance P-12 programming and federally recoverable program initiatives, $2.7 million in pension contributions, and $2.1 million in amortization expenses as a result of accelerated completion of capital projects.

These increases were partially offset by $3.7 million in savings from operations and $1.3 million in insurance premiums.

Energy

Department of Energy expenses were $4.2 million or 16.1 per cent higher than estimate due to a $4.2 million contribution to the Fundy Ocean Research Centre for Energy (FORCE) towards electrical infrastructure upgrades.

Finance

Department of Finance expenses were $0.7 million or 1.8 per cent lower than estimate primarily due to savings from vacant positions offset by increased operating expenses for a net saving of $0.4 million and amortization savings of $0.3 million due to changes in the available-for-use dates of certain capital projects.

Health and Wellness

Department of Health and Wellness expenses were $2.7 million or 0.1 per cent higher than estimate primarily due to spending in the following areas: $18.7 million in grants to District Health Authorities due to operational pressures, $16.3 million in Home Care due to increased utilization, $5.8 million in Physician Services due to delays in cost savings initiatives, $5.2 million in Insured Services due to increased utilization of out-of-province services, and $1.8 million in Pharmaceutical Services for increases in family pharmacare.

These overages were partially offset by savings of $28.0 million in capital grants as a result of construction delays, $6.5 million in other programs due to lower uptake in the expanded children's dental age criteria and lower utilization in insulin and supplies, $4.0 million in provincial programs and initiatives due to delays in information technology projects, $2.2 million in Public Health due to surpluses in biologicals as a result of decreased drug costs and delays in Thrive related projects, $1.8 million in administration from vacancies and operational efficiencies, $1.5 million in Primary Care due to various projects related to the Primary Health Information Management system that were not completed in 2014, and $1.1 million due to other operational efficiencies.

Justice

Department of Justice expenses were $3.2 million or 1.0 per cent higher than estimate primarily due to $4.6 million in increased costs for Correctional Services salaries and operating pressures and $3.2 million in Court Services salaries and operating pressures.

These overages were partially offset by lower than anticipated RCMP and public safety program savings of $2.2 million as well as operational efficiencies of $2.4 million.

Labour and Advanced Education

Department of Labour and Advanced Education expenses were $14.2 million or 4.0 per cent higher than estimate primarily due to the recognition of concessionary costs for the 0% interest program on existing student loans, which was effective in March 2014.

Public Service

In total, Public Service expenses were $8.5 million or 5.1 per cent lower than estimate. The significant variances were as follows:

Chief Information Office

Chief Information Office expenses were $2.4 million or 7.5 per cent lower than estimate due to savings of $1.5 million in temporary staff vacancies, $0.8 million in amortization, and $0.1 million in net operational efficiencies.

Communications Nova Scotia

Communications Nova Scotia expenses were $1.1 million or 12.4 per cent lower than estimate due to a lower volume of projects as a result of the October 2013 election.

Executive Council

Executive Council expenses were $1.1 million or 11.2 per cent lower than estimate due to vacancy savings and lower than anticipated operating costs.

Public Service (continued)

Legislative Services

Legislative Services expenses were $1.0 million or 4.6 per cent lower than estimate due to savings in overall operating costs.

Nova Scotia Business Inc.

Nova Scotia Business Inc. expenses were $1.9 million or 8.4 per cent lower than estimate primarily due to the Strategic Investment Funds spending $1.8 million less than planned as payments to payroll rebate clients were only 82.0 per cent utilized, and other miscellaneous expenses were under spent by $0.1 million.

Public Prosecution Service

Public Prosecution Service expenses were $0.9 million or 4.4 per cent higher than estimate primarily due to operational pressures.

Other

Other Public Service expenses were $1.9 million or 3.8 per cent lower than anticipated.

Service Nova Scotia and Municipal Relations

Department of Service Nova Scotia and Municipal Relations expenses were $18.4 million or 7.5 per cent higher than estimate primarily due to a $29.4 million increase in Federal Gas Tax Transfers, which is 100% recoverable.

This overage was partially offset by under spending of $5.2 million in the Building Canada Fund, $2.5 million in the Petroleum Product Volume Tracking system, $2.3 million in the Heating Assistance Rebate, and $1.0 million in other program areas.

Transportation and Infrastructure Renewal

Department of Transportation and Infrastructure Renewal expenses were $31.8 million or 7.5 per cent higher than estimate primarily due to increases of $16.1 million in environmental remediation projects, $14.5 million in snow and ice control costs, $2.9 million in third party recoverable work, and $2.3 million in insurance related claims.

These overages were partially offset by operational savings of $2.4 million and amortization savings of $1.6 million due to longer than expected completion dates of capital projects.

Restructuring Costs

Restructuring Costs were $53.8 million or 26.6 per cent lower than estimate due to lower than anticipated funding requirements for corporate initiatives.

General Revenue Fund – Tangible Capital Assets

Gross Capital Purchases

The Province's policy is to capitalize the gross cost of its tangible capital assets. Recoveries from outside sources are recognized as revenue in the year the asset is purchased. Under the Province's tangible capital assets policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets.

The costs of the estimated purchases of tangible capital assets are appropriated as the Capital Purchase Requirements, and the departmental details are noted below. Spending on Capital Purchase Requirements was $13.0 million lower than estimate primarily due to under spending of $15.7 million on information technology projects and $7.1 million on school construction.

These savings were partially offset by increased capital purchases of $4.8 million on other building costs, $3.9 million on highways and bridges, and $1.1 million in other areas.

Gross Capital Purchases

($ thousands)

Department	Estimate 2014	Actual 2014	Variance Increase (Decrease)
Agriculture	2,550	1,977	(573)
Communities, Culture and Heritage	3,406	2,975	(431)
Education and Early Childhood Development	95,387	87,174	(8,213)
Environment	3,270	3,194	(76)
Finance	5,379	5,208	(171)
Fisheries and Aquaculture	65	121	56
Health and Wellness	21,930	19,407	(2,523)
Justice	1,020	964	(56)
Labour and Advanced Education	1,050	—	(1,050)
Natural Resources	6,900	9,288	2,388
Public Service	12,694	6,502	(6,192)
Service Nova Scotia and Municipal Relations	6,524	4,396	(2,128)
Transportation and Infrastructure Renewal			
Highways and Bridges	245,800	249,748	3,948
Buildings and Infrastructure	54,075	56,888	2,813
Cash Flow Contingency	809	—	(809)
Total Gross Capital Purchases	460,859	447,842	(13,017)

Amortization

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2014 and prior years. Annual amortization expense is calculated on a declining balance basis for most assets of the General Revenue Fund. Capital leases are amortized on a straight-line basis over the length of each lease.

Amortization

($ thousands)

Department	Estimate 2014	Actual 2014	Variance Increase (Decrease)
Agriculture	198	191	(7)
Communities, Culture and Heritage	2,166	97	(2,069)
Community Services	803	765	(38)
Economic and Rural Development and Tourism	321	320	(1)
Education and Early Childhood Development	63,422	65,518	2,096
Energy	1	1	—
Environment	166	158	(8)
Finance	5,797	5,429	(368)
Fisheries and Aquaculture	58	52	(6)
Health and Wellness	20,701	15,861	(4,840)
Justice	2,869	2,665	(204)
Labour and Advanced Education	6,979	6,979	—
Natural Resources	879	1,402	523
Public Service	7,031	6,219	(812)
Service Nova Scotia and Municipal Relations	3,341	2,657	(684)
Transportation and Infrastructure Renewal	180,346	177,987	(2,359)
Total Amortization	295,078	286,301	(8,777)

Additional Appropriations

Relative to the *Appropriations Act, 2013* for the fiscal year ended March 31, 2014

($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
	Departmental Expenses					
1	Agriculture	61,973	—	61,679	(294)	—
2	Communities, Culture and Heritage	60,009	—	58,110	(1,899)	—
3	Community Services	896,573	39,500	941,982	5,909	5,909
4	Economic and Rural Development and Tourism	130,060	9,185	135,915	(3,330)	—
5	Education and Early Childhood Development	1,105,659	5,537	1,115,907	4,711	4,711
6	Energy	26,136	4,200	30,336	—	—
7	Environment	24,954	—	24,585	(369)	—
8	Finance	41,444	2,688	40,704	(3,428)	—
10	Fisheries and Aquaculture	9,044	—	9,015	(29)	—
11	Health and Wellness	3,910,819	9,265	3,913,470	(6,614)	—
12	Justice	309,801	3,203	312,961	(43)	—
13	Labour and Advanced Education	353,412	14,408	367,601	(219)	—
14	Assistance to Universities	337,152	—	336,749	(403)	—
15	Natural Resources	85,072	—	84,831	(241)	—
16	Aboriginal Affairs	3,343	—	3,226	(117)	—
17	Chief Information Office	31,763	—	29,378	(2,385)	—
18	Communications Nova Scotia	8,808	—	7,718	(1,090)	—
19	Elections Nova Scotia	3,427	—	3,128	(299)	—
20	Executive Council	9,621	—	8,543	(1,078)	—
21	FOIPOP Review Office	560	—	559	(1)	—
22	Government Contributions to Benefit Plans	8,857	—	8,093	(764)	
23	Human Rights Commission	2,449	—	2,449	—	—
24	Intergovernmental Affairs	3,568	—	3,387	(181)	—
25	Legislative Services	22,811	—	21,771	(1,040)	—
26	Nova Scotia Business Inc.	22,370	—	20,481	(1,889)	—
27	Nova Scotia Police Complaints Commissioner	426	—	426	—	—
28	Nova Scotia Securities Commission	2,654	—	2,459	(195)	—
29	Nova Scotia Utility and Review Board	1,990	—	1,990	—	—
30	Office of the Auditor General	3,634	—	3,530	(104)	—
31	Office of the Ombudsman	1,681	—	1,640	(41)	—
32	Public Prosecution Service	20,700	—	21,612	912	912
33	Public Service Commission	17,269	—	17,093	(176)	—
34	Seniors	1,859	—	1,813	(46)	—
35	Service Nova Scotia and Municipal Relations	247,315	24,305	265,745	(5,875)	—
36	Transportation and Infrastructure Renewal	425,458	9,778	457,265	22,029	22,029
37	Restructuring Costs	202,480	—	148,721	(53,759)	—
	Total Departmental Expenses	8,395,151	122,069	8,464,872	(52,348)	33,561

Additional Appropriations (continued)

Relative to the *Appropriations Act, 2013* for the fiscal year ended March 31, 2014

($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
	Other Appropriations					
9	Debt Servicing Costs	888,891	—	857,317	(31,574)	—
38	Refundable Tax Credits	129,356	—	101,983	(27,373)	—
39	Pension Valuation Adjustment	110,793	280,252	388,160	(2,885)	—
	Total Other Appropriations	1,129,040	280,252	1,347,460	(61,832)	—
	Statutory Capital					
40	Capital Purchase Requirements	460,859	2,500	447,842	(15,517)	—
41	Sinking Fund Installments and Serial Retirements	65,220	—	65,220	—	—
	Total Statutory Capital	526,079	2,500	513,062	(15,517)	—
	Total Additional Appropriations		404,821			33,561

Note: Section 28(4) of the Finance Act requires that any final additional appropriation required for year-end adjustments be made to Governor-in-Council no later than 15 days after the date of the tabling of the Public Accounts.

Additional Appropriations Approved During 2014

Additional appropriations, as indicated in the table above, were approved during the year. The details of these additional requests were as follows:

($ thousands)

Appropriation Area	Order in Council	Amount
Finance	2013-279	2,688
Pension Valuation Adjustment	2013-279	7,407
Capital Purchase Requirements	2013-279	2,500
Community Services	2013-398	39,500
Economic and Rural Development and Tourism	2013-398	9,185
Education and Early Childhood Development	2013-398	5,537
Health and Wellness	2013-398	9,265
Service Nova Scotia and Municipal Relations	2013-398	24,305
Pension Valuation and Adjustment	2013-398	272,845
Justice	2014-132	3,203
Labour and Advanced Education	2014-132	14,408
Transportation and Infrastructure Renewal	2014-132	9,778
Energy	2014-132	4,200
Total Additional Appropriations Approved		404,821

General Revenue Fund – Debt Servicing Costs

Gross debt servicing costs of the General Revenue Fund in 2014 were $857.3 million, which was $31.6 million or 3.6 per cent lower than estimate and $40.1 million or 4.5 per cent lower than the previous year. The decrease from estimate was primarily due to the decrease of $27.8 million in interest costs associated with pension, retirement and other obligations. Interest on long-term debt and general interest were $0.2 million and $3.6 million, respectively, lower than estimate due to the continued low interest rates and the early timing of term debt issuance.

Debt Servicing Costs

($ thousands)

	Estimate 2014	Actual 2014	Actual 2013	Actual vs Estimate Increase (Decrease)
Interest on Long-Term Debt	724,764	724,607	737,130	(157)
General Interest	9,155	5,524	(3,280)	(3,631)
Interest on Pension, Retirement and Other Obligations	154,972	127,186	163,521	(27,786)
Debt Servicing Costs - Gross	**888,891**	**857,317**	**897,371**	**(31,574)**
Less: Sinking Fund Earnings	107,102	111,470	111,146	4,368
Debt Servicing Costs - Net	781,789	745,847	786,225	(35,942)

Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Management Fund assets) was $12.5 billion in Canadian dollar equivalents at March 31, 2014 (2013 - $12.4 billion).

The Province of Nova Scotia provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 per cent to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the debt. Sinking Fund and Public Debt Management Fund assets are used solely for debt retirement.

Outstanding Debentures – (CDN$ Equivalents)

($ thousands)

	Actual 2014	Actual 2013
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079,352	1,079,352
Other Issues	13,992,876	14,005,581
Less: Sinking Funds and Public Debt Management Fund	(2,531,101)	(2,694,183)
Net Debenture Debt	12,541,127	12,390,750

General Revenue Fund – Annual Borrowing Plan

The *Finance Act*, Section 35, provides for Governor-In-Council approval of an annual borrowing plan submitted by the Minister of Finance. In 2014, the Minister of Finance was granted approval for a $975.0 million borrowing plan. Authority for a borrowing program somewhat larger than that stated in the 2014 Estimates was requested in the event that circumstances arose requiring the Province to borrow monies in excess of projected requirements, or financial markets were favourable and the Province deemed it prudent to pre-borrow for future years.

The Province took advantage of the opportunities to issue floating interest rate notes in two formats as well as the continued low interest rates and borrowed $975.0 million in 2014.

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2014

Statement of Responsibility
for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance and Treasury Board by the Controller in accordance with the accounting principles recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other CPA Canada and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended March 31, 2014. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in section 19 of the *Auditor General Act*, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

Geoffrey Gatien, CA
Controller

Auditor General of Nova Scotia

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Halifax, Nova Scotia
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated deficits, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

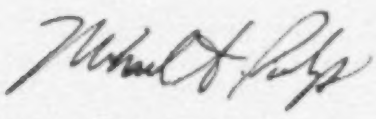
Government's Responsibilities for the Consolidated Financial Statements
The Government of Nova Scotia is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles for the public sector and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Nova Scotia as at March 31, 2014, and its consolidated financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.



Michael A. Pickup, CA
Auditor General of Nova Scotia

July 24, 2014
Halifax, Nova Scotia

Statement 1

Province of Nova Scotia
Consolidated Statement of Financial Position
As at March 31, 2014
($ thousands)

	2014	2013 (as restated)
Financial Assets		
Cash and Short-Term Investments (Note 3)	645,206	774,202
Accounts Receivable	769,169	846,737
Inventories for Resale	8,403	11,703
Loans Receivable (Schedule 3)	2,134,742	2,023,912
Investments (Note 3 & Schedule 3)	148,724	148,047
Investment in Government Business Enterprises (Schedule 6)	141,440	112,157
Assets Held for Sale (Note 4)	2,507	30,566
	3,850,191	3,947,324
Liabilities		
Bank Advances and Short-Term Borrowings	539,565	550,440
Accounts Payable and Accrued Liabilities	2,030,107	1,796,086
Deferred Revenue (Note 5)	230,900	245,339
Accrued Interest	209,736	221,550
Unmatured Debt (Schedules 4 & 5)	12,991,397	12,869,245
Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts	149,928	178,000
Federal Equalization Repayable Loan (Note 6)	24,064	36,097
Pension, Retirement and Other Obligations (Note 7)	2,436,241	1,992,939
	18,611,938	17,889,696
Net Debt	(14,761,747)	(13,942,372)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	5,543,972	5,400,182
Inventories of Supplies	54,763	52,481
Prepaid Expenses	13,848	19,436
	5,612,583	5,472,099
Accumulated Deficits	(9,149,164)	(8,470,273)

Accounting Changes (Note 2)
Contingencies and Contractual Obligations (Note 12)
Trust Funds under Administration (Note 14)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 2

Province of Nova Scotia
Consolidated Statement of Operations and Accumulated Deficits
For the fiscal year ended March 31, 2014
($ thousands)

	Adjusted Estimate 2014	Actual 2014	Actual 2013
			(as restated)
Revenue (Schedule 1)			
Provincial Sources			
Tax Revenue	5,104,782	4,791,787	4,901,794
Other Provincial Revenue	1,274,276	1,297,906	1,390,634
Net Income from Government Business Enterprises (Schedule 6)	350,313	351,257	354,355
Investment Income	191,041	202,124	194,575
	6,920,412	6,643,074	6,841,358
Federal Sources	3,346,117	3,392,055	3,262,765
Total Revenue	10,266,529	10,035,129	10,104,123
Expenses (Schedule 2)			
Agriculture	65,546	65,498	67,141
Communities, Culture and Heritage	61,668	59,750	59,363
Community Services	1,003,600	1,056,559	1,029,692
Economic and Rural Development and Tourism	176,190	188,998	212,132
Education and Early Childhood Development	1,401,881	1,442,134	1,422,771
Energy	27,682	31,513	30,393
Environment	73,661	72,189	72,569
Finance	47,260	50,165	88,808
Fisheries and Aquaculture	9,044	9,398	8,474
Health and Wellness	4,066,577	4,190,457	4,075,656
Justice	315,354	314,424	312,961
Labour and Advanced Education	403,342	424,402	388,901
Assistance to Universities	337,152	336,749	380,847
Natural Resources	91,316	86,724	100,995
Public Service	140,653	133,989	136,824
Seniors	1,859	1,813	1,748
Service Nova Scotia and Municipal Relations	251,637	266,288	270,102
Transportation and Infrastructure Renewal	426,837	457,911	417,747
Restructuring Costs	202,480	148,721	136,475
Restructuring of Nova Scotia Agricultural College (Note 8)	—	—	36,996
Pension Valuation Adjustment (Note 7)	110,793	388,160	108,510
Refundable Tax Credits	129,356	101,983	127,145
Debt Servicing Costs (Note 9)	906,252	886,195	921,484
Total Expenses (Note 10)	10,250,140	10,714,020	10,407,754
Provincial Surplus (Deficit)	16,389	(678,891)	(303,631)
Accumulated Deficits, Beginning of Year			
As Previously Reported		(8,481,670)	(8,179,179)
Accounting Changes (Note 2)		11,397	12,537
As Restated		(8,470,273)	(8,166,642)
Accumulated Deficits, End of Year		(9,149,164)	(8,470,273)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 3

Province of Nova Scotia
Consolidated Statement of Changes in Net Debt
For the fiscal year ended March 31, 2014
($ thousands)

	Adjusted Estimate 2014	Actual 2014	Actual 2013
			(as restated)
Net Debt, Beginning of Year			
As Previously Reported	(13,942,372)	(13,953,769)	(13,382,946)
Accounting Changes (Note 2)	—	11,397	12,537
As Restated	(13,942,372)	(13,942,372)	(13,370,409)
Changes in the Year *			
Provincial Surplus (Deficit)	16,389	(678,891)	(303,631)
Acquisitions and Transfers of Tangible Capital Assets	(460,859)	(545,850)	(690,862)
Amortization of Tangible Capital Assets	295,078	399,796	382,898
Disposals of Tangible Capital Assets	—	2,264	29,997
Decrease (Increase) in Inventories of Supplies	—	(2,282)	4,558
Decrease in Prepaid Expenses	—	5,588	5,077
Total Changes in the Year	(149,392)	(819,375)	(571,963)
Net Debt, End of Year	(14,091,764)	(14,761,747)	(13,942,372)

* *Except for the Provincial Surplus (Deficit) figure, the adjusted estimates for items under Changes in the Year reflect the activity of the General Revenue Fund only*

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 4

Province of Nova Scotia
Consolidated Statement of Cash Flow
For the fiscal year ended March 31, 2014
($ thousands)

	2014	2013 (as restated)
Cash Inflows (Outflows) from the following activities:		
Operating		
Provincial Deficit	(678,891)	(303,631)
Sinking Fund and Public Debt Management Fund Earnings	(111,470)	(111,146)
Amortization of Premiums and Discounts on Unmatured Debt	(2,595)	(8,321)
Amortization of Tangible Capital Assets	399,796	382,898
Net Income from Government Business Enterprises	(351,257)	(354,355)
Profit Distributions from Government Business Enterprises	321,974	343,646
Loss on Disposal of Tangible Capital Assets	(2,955)	14,523
Net Change in Other Items (Note 11)	752,428	488,080
	327,030	451,694
Investing		
Repayment of Loans	317,383	390,970
Advances and Investing	(439,843)	(458,931)
Write-offs	10,953	42,441
	(111,507)	(25,520)
Capital		
Acquisition of Tangible Capital Assets	(545,850)	(690,862)
Proceeds from Disposal of Tangible Capital Assets	5,219	15,474
	(540,631)	(675,388)
Financing		
Debentures Issued	964,771	1,359,519
Repayment of Federal Equalization Repayable Loan	(12,033)	(12,032)
Foreign Exchange Amortization	(17,172)	(37,392)
Sinking Fund Withdrawals (Installments)	274,551	(44,075)
Repayment of Debentures and Other Long-Term Obligations	(1,014,005)	(999,690)
	196,112	266,330
Cash Inflows (Outflows)	(128,996)	17,116
Cash Position, Beginning of Year	774,202	757,086
Cash Position, End of Year	645,206	774,202
Cash Position Represented by:		
Cash and Short-Term Investments	645,206	774,202

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

1. Financial Reporting and Accounting Policies

The Province's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, which are represented by the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The consolidated financial statements are prepared using the following significant accounting policies:

(a) Government Reporting Entity

The government reporting entity (GRE) is comprised of the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the Province's proportionate share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trusts administered by the Province are excluded from the GRE and are disclosed in Note 14 for information purposes only.

(b) Principles of Consolidation

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the Province. The total net assets of all GBEs are included under Investment in GBEs on the Consolidated Statement of Financial Position. The total net income from all GBEs is reported as a separate item on the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, the government's interest in partnerships is accounted for using the proportionate consolidation method.

A GU is a government organization that is not a GBE or a GPA. GUs include government departments, public service units, funds, agencies, boards, commissions, government not-for-profit organizations, and service organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization accounts and transactions are eliminated.

A complete listing of the organizations within the GRE is provided in Schedule 10.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

1. Financial Reporting and Accounting Policies (continued)

(c) Presentation of Estimates

Each year, the Province prepares an annual budget, referred to as the Estimates, which represents the financial plan of the Province presented by the government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the Appropriations Act, are prepared primarily for the management and oversight of the General Revenue Fund based upon the government's policies, programs, and priorities. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For consolidation purposes, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the consolidated entities in order to be comparative with these consolidated financial statements.

(d) Significant Accounting Policies

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, program recoveries, user fees, and investment income. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Tax and Petroleum Royalties, are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Petroleum Royalties may be reduced by a portion of estimated abandonment costs for the future decommissioning or restoration of offshore field assets.

Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Expenses
Expenses are recorded on the accrual basis and are reported in more detail in Note 10, Expenses by Object. Grants and other government transfers are recognized as expenses in the period at the earlier of 1) the transfer being authorized and all eligibility criteria are met by the recipients and 2) time of the payment.

Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets
Cash and Short-Term Investments are recorded at cost, which approximate market value. Investments are R-1 (low, mid, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits, and commercial paper. Terms of investments are generally 1 to 90 days. The average interest rate was 1.04 per cent at year-end.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

1. Financial Reporting and Accounting Policies (continued)

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans Receivable are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost, which approximates market value. At year-end, short-term Canadian dollar borrowings had a weighted average interest rate of 0.97 per cent.

Unmatured Debt is comprised of debentures and various loans in Canadian and foreign currencies, as well as capital leases. Debt is recorded at par, net of sinking funds (including Public Debt Management Funds).

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective, and it is considered to be consistent with the Province's financial risk management goals. To have reasonable assurance of the effectiveness of a hedging relationship, the Province must expect the relationship to be effective in achieving offsetting changes in the fair value or cash flows of the hedged item and the hedging item. Effectiveness requires a high correlation of changes in fair values or cash flows. To ensure hedge effectiveness, the Province employs non-speculative derivatives that match the critical terms of the underlying hedged item.

Hedging relationships include synthetic instruments, which involve relationships between two or more assets or liabilities with matching terms for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Management Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

1. Financial Reporting and Accounting Policies (continued)

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances, and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans, including accumulated sick leave benefits, where responsibility for the provision of benefits rests with the Province. Liabilities for these plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of benefits to the periods of employee service. The net liability represents accrued employee benefits less the market related value of plan assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period.

The Public Service Superannuation Plan (PSSP) is now subject to a joint governance framework with a new trustee that is arms-length to the Province and bears responsibility for the plan. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the Province. Employer contributions to these two plans are expensed in the period paid. The accrued benefit asset (liability) of these plans are not recognized in these financial statements.

Accumulated Sick Leave Benefits (ASLBs) arise from sick leave provisions in certain governmental units that accumulate but do not vest. Due to the nature of these benefits, a liability and an expense are measured using actuarial valuations taking into consideration the extent to which accumulated sick days are expected to be used by employees in future years. The accrued benefit obligation is accrued as employees render the service that gives rise to the benefits. These benefits are unfunded, meaning the Province has not set aside any assets to cover the future related costs.

Contingent liabilities, including provisions for losses on loan guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. In cases where an accrual is made, but exposure exists beyond the amount accrued, this excess exposure would also be disclosed, unless the impact is immaterial or the disclosure would have an adverse effect on the outcome of the contingency.

Net Debt
Net Debt represents the total liabilities of the Province less its financial assets. Net debt is the accumulation of current and past annual surpluses and deficits and net investments in non-financial assets.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

1. Financial Reporting and Accounting Policies (continued)

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges.

Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources, or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations and are recorded at the lower of cost and current replacement cost.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits

Accumulated Deficits represent the total liabilities of the Province less financial assets and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the Province.

(e) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations, and federal and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists in the accruals for environmental remediation obligations because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans. Uncertainty related to Sales and Income Taxes, petroleum royalties, Canada Health Transfer, and Canada Social Transfer arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

1. Financial Reporting and Accounting Policies (continued)

(f) Future Changes in Accounting Policies

The Public Sector Accounting Board has issued a new accounting recommendation effective for fiscal years beginning on or after April 1, 2014. Section PS 3260 — Liability for Contaminated Sites establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. Specifically, the section:

a) defines which activities would be included in a liability for remediation
b) establishes when to recognize and how to measure a liability for remediation
c) provides the related financial statement presentation and disclosure requirements.

The Province has analyzed this standard and does not expect any significant impacts on its financial statements in the year of adoption.

2. Accounting Changes

An accounting change was made during the year that has the following impact:

($ thousands)	2014			2013	
	Net Debt April 1, 2013	Accumulated Deficits April 1, 2013	Provincial Deficit	Net Debt April 1, 2012	Accumulated Deficits April 1, 2012
Nova Scotia Teachers' Pension Plan	11,397	11,397	(1,140)	12,537	12,537

The gain realized upon transition of the Teachers' Pension Plan (TPP) to joint trusteeship in 2006 should have been recognized immediately but was deferred and amortized over the expected average remaining service life (EARSL) of plan members. This was corrected retroactively this year, resulting in an increase of $1.1m to pension valuation adjustment expense and a decrease of $12.5 million to the opening accumulated deficits and net debt in 2013. The current year impact was an increase of $1.1 million to the pension valuation adjustment expense and a decrease of $11.4 million to the opening accumulated deficits.

3. Restricted Assets

As at March 31, 2014, assets of $57.0 million (2013 - $49.4 million) were designated for restricted purposes by parties external to the Province. Restricted cash and short-term investments totaled $6.3 million (2013 - $7.9 million), comprised of: $2.6 million (2013 - $2.4 million) for gas market development as part of the Nova Scotia Market Development Initiative Fund, $1.4 million (2013 - $3.2 million) for endowment and scholarship funds, and $2.3 million (2013 - $2.3 million) for various other purposes. Restricted investments totaled $50.7 million (2013 - $41.5 million), comprised of: $31.3 million (2013 - $26.7 million) for Capital District Health Authority's (CDHA) Centre for Clinical Research, $9.5 million (2013 - $7.6 million) for other CDHA purposes, $7.4 million (2013 - $4.8 million) for endowment funds, and $2.5 million (2013 - $2.4 million) for various other purposes.

Externally restricted inflows not spent by year-end create a liability that will be settled by using the restricted assets for their intended purposes. The restricted assets described in this note are segregated from other assets and will be used as prescribed in a future period.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

4. Assets Held for Sale

On December 10, 2012 (the "Acquisition Date"), the Province purchased 100% of the outstanding shares of Bowater Mersey Paper Company (Bowater), along with its wholly owned subsidiary, Brooklyn Power Corporation (BPC), for cash consideration of one dollar plus acquisition costs of $1.3 million. The Province gained control of the entity with the full intention to manage the orderly wind-up of Bowater's operations. Effective December 11, 2012, Bowater's name was changed to Renova Scotia Bioenergy Inc. (Renova).

The net assets acquired on the Acquisition Date included total assets of $149.5 million and total liabilities assumed of $148.2 million. Since the Acquisition Date, Renova has disposed of the majority of all assets held for sale under the agreements and plans in place at the Acquisition Date including the sale of BPC to a third party and the sale of physical assets to a third party.

At March 31, 2014, assets in the amount of $2.5 million were classified as held for sale. The wind-up of Renova is expected to be completed by August 31, 2014.

5. Deferred Revenue

Receipts are recorded as deferred revenue if they are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met. The balance includes the following components:

($ thousands)	2014	2013
Housing Nova Scotia - Social Housing Agreement	64,850	61,769
Capital District Health Authority - Capital and Research Funds	41,196	34,460
Provincial-Territorial Base Funding Agreement - Infrastructure and Highways	36,200	39,777
Izaak Walton Killam Health Centre - Capital and Research Funds	23,567	20,204
Resource Recovery Fund Board Inc. - Unearned Revenue from Container Deposits, Paint Levies and Tire Deposits	14,304	14,167
Nova Scotia Community College	12,410	10,271
Seniors Pharmacare	6,496	6,069
Waterfront Development Corporation Limited	4,070	3,996
Halifax Regional School Board	3,644	3,460
Nova Scotia School Insurance Program	3,503	1,633
Nova Scotia Market Development Initiative Fund	2,738	3,771
Trade Centre Limited	2,659	3,293
Cape Breton District Health Authority	1,917	5,691
Annapolis Valley Regional School Board	1,765	1,431
Labour Market Agreement	1,478	3,927
Public Archives of Nova Scotia	1,390	1,347
Heritage Canada - Official Languages in Education Protocol (OLEP)	317	4,755
South Shore District Health Authority - Capital Funds	227	3,318
Early Learning Child Care Funds	—	7,161
C-50 Police Officers Recruitment Fund	—	3,500
Nova Scotia Gas Tax Agreement on Municipal Funding	—	1,400
Other Externally Restricted Funds	8,169	9,939
Total Deferred Revenue	230,900	245,339

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

6. Federal Equalization Repayable Loan

The Province received an equalization repayable loan from the federal government in March 2005 in the amount of $120.3 million. The loan bears no interest and is being repaid over 10 years, with bi-monthly deductions of $0.5 million that commenced in April 2006. As at March 31, 2014, the balance of the loan was $24.1 million (2013 – $36.1 million).

7. Pension, Retirement and Other Obligations

The Province offers a variety of pension and other retirement, post-employment, and special termination benefits. The Province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs.

(a) Description of Obligations

Pension Benefit Plans
The Province participates in two funded pension plans, the Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages and real estate. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

On April 1, 2013, the PSSP transitioned to a joint governance structure where the Minister of Finance transferred responsibility for the PSSP to the Public Service Superannuation Plan Trustee Inc. (PSSPTI), the new trustee of the PSSP. PSSPTI is a body corporate comprised of 13 board members – six representing the Province as the employer and six representing the employees with an independent chairperson. This detailed joint governance framework included in the *Financial Measures (2010) Act* was implemented by way of the *Financial Measures (2012) Act*.

Due to the plan amendments, the Province has no residual liability for the PSSP and therefore no longer carries an asset or liability associated with the PSSP on its Statement of Financial Position. This resulted in an immediate recognition of the PSSP's $318.3 million accrued benefit asset, which has been recorded as a pension valuation adjustment expense in 2014. There was no impact on prior years. The Province's pension expense for the PSSP is now limited to contributions paid to the PSSP as an employer, which are equal to the employee contributions. The contribution rate is set by PSSPTI pursuant to the funding policy and is set for a five year cycle. Beginning in 2015, PSSPTI will review the funded health of the plan and implement any required changes as prescribed by the funding policy. The Province's employer contributions to the PSSP in 2014 were $81.7 million.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

7. Pension, Retirement and Other Obligations (continued)

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Plan to the Teachers' Pension Plan Trustee Inc. (TPPTI). The TPPTI is the trustee for the plan and is comprised of nine board members – four nominated by the Nova Scotia Teachers' Union, four nominated by the Province, and one Chair agreed to by both parties. As a result of this transfer, the Province and Union agreed to share all surpluses and deficits of the plan equally. The Province accounts for half of all components of the accrued benefit liability associated with the plan in its financial statements. In addition, the Province recognizes half of components associated with the net benefit expense (recovery) associated with this plan. As at March 31, 2014, the total accrued benefit liability associated with this plan was $436.3 million.

The Province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on April 1, 2012 and extrapolated to December 31, 2013, which indicated a funding surplus of $721.7 million. The Province's employer contributions to this plan in 2014 were $99.3 million (2013 - $92.3 million).

Other Retirement Benefit Plans
The Province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65 per cent and 100 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees, respectively.

Post-Employment Benefits
The Province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end. For the Long-Term Disability plan, the obligation is offset by the market related value of plan assets.

Accumulated Sick Leave Provisions
The Province's Regional School Boards, District Health Authorities, and Nova Scotia Community College have collective agreements containing sick leave provisions that accumulate but do not vest. Under Public Sector Accounting Standards, governments must measure and record an obligation associated with the accumulated sick leave benefits (ASLBs) that are anticipated to be used in future years. Within the Province, ASLBs are unfunded, meaning there are no assets set aside to cover the related costs of these benefits in the future.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

7. Pension, Retirement and Other Obligations (continued)

Due to the nature of these benefits, actuarial valuations are required to estimate their financial value. An actuarial assumption must be developed to reflect the probability of employees actually using ASLB "banked days". This involves a detailed analysis of several years of data to determine historical usage. A historical usage pattern is not based on the data group as a whole but must take into account a number of specific factors such as, but not limited to, gender, age, and type of contract/job responsibilities, each of which may impact the anticipated amount of accumulated sick leave time to be taken in the future. As a result, the anticipated usage assumption may involve a number of criteria and circumstances that then must be applied to the data in coordination with other actuarial assumptions such as discount rate, retirement assumptions, future salary increases, mortality tables, etc.

The recording of liabilities for ASLBs in 2014 is based on actuarial valuations that were completed in 2012 and 2013 and extrapolated to March 31, 2014.

Special Termination Benefits
The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits was accrued in the year the employee accepted the early retirement option.

Retirement Obligations of Renova Scotia Bioenergy Inc.
As part of the Province's acquisition of Renova, described in Note 4, there were unfunded pension liabilities associated with various pension plans and retirement health benefits. The obligations and assets associated with these plans were noted as "acquisitions" in 2013 in the continuity statements in Note 7(b). The net unfunded liabilities of these plans totaled $112.0 million as at December 10, 2012. Land and other assets were subsequently sold, and the proceeds were used to fund the liabilities. As at March 31, 2014, the net unfunded liabilities associated with these plans were $19.3 million and are included in these financial statements.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

7. Pension, Retirement and Other Obligations (continued)

(b) Summary of Activity During the Year

($ thousands)	Pension Benefits 2014	Other Benefits 2014	Total 2014	Total 2013 *(as restated)*
Projected Benefit Obligation, Beginning of Year	8,567,836	1,864,155	10,431,991	9,726,972
Current Benefit Cost	65,555	108,455	174,010	325,829
Interest Cost	212,692	77,459	290,151	609,947
Actuarial (Gains) Losses	48,784	83,035	131,819	32,733
Benefit Payments	(233,132)	(106,948)	(340,080)	(597,283)
Other	552	(1,274)	(722)	7,385
Acquisitions	—	—	—	317,800
Plan Amendments	(5,015,314)	—	(5,015,314)	8,608
Projected Benefit Obligation, End of Year	3,646,973	2,024,882	5,671,855	10,431,991
Market Related Value of Plan Assets, Beginning of Year	7,124,041	131,773	7,255,814	6,864,968
Expected Return on Plan Assets	146,839	4,603	151,442	445,968
Actuarial Gains (Losses)	82,684	440	83,124	(154,125)
Benefit Payments	(233,132)	(106,948)	(340,080)	(597,283)
Other	1,120	(700)	420	8,042
Plan Amendments	(4,584,312)	—	(4,584,312)	—
Acquisitions	—	—	—	205,800
Employer Contributions	70,158	100,528	170,686	346,687
Employee Contributions	39,166	6,608	45,774	135,757
Market Related Value of Plan Assets, End of Year	2,646,564	136,304	2,782,868	7,255,814
Funded Status, End of Year	(1,000,409)	(1,888,578)	(2,888,987)	(3,176,177)
Unamortized Net Actuarial (Gains) Losses	418,952	96,179	515,131	1,239,713
Valuation Allowance	—	(62,385)	(62,385)	(56,475)
Accrued Benefit Liability, End of Year	(581,457)	(1,854,784)	(2,436,241)	(1,992,939)

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

7. Pension, Retirement and Other Obligations (continued)

(c) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Long-term inflation rates	2.25%	2.25%	2.25%	2.25%
Expected real rate of return on plan assets:				
PSSP	—	4.15%		
TPP	4.50%	4.40%		
Long-Term Disability Plan			1.22%	3.25%
Rate of compensation increase	2.00% to 3.00% + merit	2.50% to 5.25% + merit	2.00% to 3.00% + merit	2.40% to 4.90% + merit
Discount rates:				
PSSP	—	6.50%		
TPP	6.85%	6.75%		
Long-Term Disability Plan			3.50%	5.57%
Other Plans			4.10%	4.30%

Other assumptions
7.0 per cent annual rate increase in the cost per person of covered healthcare benefits for 2013-14, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years.

7.0 per cent annual rate increase in the cost per person of covered prescription drugs for 2013-14, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Province's best estimate of performance over the long-term.

(d) Other Disclosure

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 5 years to 18 years (weighted-average EARSL is 15 years).

During the year, the weighted average actual rate of return on plan assets was 12.4 per cent (2013 – 10.1 per cent). The total market value of plan assets at March 31, 2014 was $4.8 billion (2013 - $9.2 billion).

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2012 with the exception of certain other retirement benefit plans that were performed on various dates and the post-employment benefit plans that are performed annually at March 31.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

7. Pension, Retirement and Other Obligations (continued)

(e) Net Benefit Plans Expense

The table below shows the components of the net benefit plans expense (recovery).

($thousands)	Pension Benefits	Other Benefits	2014 Total	2013 Total *(as restated)*
Current Benefit Cost	65,555	108,455	174,010	325,829
Employee Contributions	(39,663)	(6,632)	(46,295)	(136,277)
Employer Contributions *	36,998	—	36,998	39,706
Plan Amendments	318,261	—	318,261	8,608
Amortization of Net Actuarial (Gains) Losses	22,027	896	22,923	88,352
Recognition of Actuarial Losses on Plan Amendment	—	—	—	(425)
Other	(320)	679	359	556
Increase (Decrease) in Valuation Allowance	—	5,910	5,910	7,120
Interest Cost	212,692	77,459	290,151	609,947
Expected Return on Plan Assets	(146,839)	(4,603)	(151,442)	(445,968)
Employer Contributions to Multi-Employer Plan	180,938	—	180,938	92,295
Net Benefit Plans Expense	649,649	182,164	831,813	589,743
Recorded as:				
Fringe Benefits Expense	239,348	65,596	304,944	317,254
Pension Valuation Adjustment	344,448	43,712	388,160	108,510
Net Pension Interest Cost	65,853	72,856	138,709	163,979
Net Benefit Plans Expense	649,649	182,164	831,813	589,743

* *This represents one-half of the employer contributions made by the Province to the TPP. Included in the figures above are one-half of all transactions associated with TPP to reflect the Province's share of this plan under joint trusteeship.*

8. Restructuring of Nova Scotia Agricultural College

On September 1, 2012, the Nova Scotia Agricultural College (NSAC) was merged with Dalhousie University (Dalhousie) in accordance with the *Dalhousie University – Nova Scotia Agricultural College Merger Act*. The NSAC campus land, buildings, and other operating assets were transferred to Dalhousie as at the date of the merger. Therefore, NSAC no longer forms part of the Province's Government Reporting Entity effective September 1, 2012. The merger included a three year funding agreement between the Province and Dalhousie. The funding for NSAC in 2014 was included in Agriculture expenses.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

8. Restructuring of Nova Scotia Agricultural College (continued)

Expenses related to the transfer of NSAC charged to Restructuring Costs in 2013 were as follows:

($ thousands)	2014	2013
Net Book Value of Assets Transferred to Dalhousie	—	29,218
Other Transition Costs	—	7,778
Restructuring of Nova Scotia Agricultural College	—	36,996

9. Debt Servicing Costs

($ thousands)	2014	2013
CDN$ Denominated Debt	748,230	770,787
Pension, Retirement and Other Obligations	138,709	163,979
Capital Leases	14,743	16,052
Other Debt	7,248	8,503
Premium / Discount Amortization	(2,734)	(8,321)
Foreign Exchange	(21,010)	(30,679)
Miscellaneous	1,009	1,163
Total Debt Servicing Costs	886,195	921,484

Debt servicing costs for the Province's government business enterprises were $12.3 million (2013 - $13.4 million) for the year ended March 31, 2014.

10. Expenses by Object

($ thousands)	2014	2013 *(as restated)*
Grants and Subsidies	3,588,447	3,712,408
Salaries and Employee Benefits	3,974,493	3,550,010
Operating Goods and Services	1,572,600	1,478,327
Professional Services	288,880	330,223
Amortization	399,796	382,898
Debt Servicing Costs	886,195	921,484
Other	3,609	32,404
Total Expenses by Object	10,714,020	10,407,754

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

11. Cash Flow – Net Change in Other Items

($ thousands)	2014	2013 *(as restated)*
Change in Receivables from Government Business Enterprises	(37,161)	9,642
Change in Accounts Receivable	114,729	116,955
Change in Accounts Payable and Other Short-Term Borrowings	223,146	189,186
Change in Inventories for Resale	3,300	(2,733)
Change in Assets Held for Sale	28,059	(30,566)
Change in Inventories of Supplies	(2,282)	4,558
Change in Prepaid Expenses	5,588	5,077
Change in Deferred Revenue	(14,439)	(33,528)
Change in Accrued Interest	(11,814)	4,959
Change in Pension, Retirement and Other Obligations	443,302	224,530
Total Net Change in Other Items	752,428	488,080

12. Contingencies and Contractual Obligations

(a) Contingent Liabilities

Environmental Sites
Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. With the exception of the remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated estimates for the cost of remediation of the Sydney Steel Corporation (SYSCO) and adjacent sites as well as the Sydney Tar Ponds site. As a result, the Province recorded liabilities totaling $318.5 million in 2000 for environmental site clean-up. At March 31, 2014, $75.6 million (2013 - $65.2 million) remains unspent. The provision will continue to be utilized for future decommissioning, demolition, and remediation of SYSCO's and adjacent sites, including the Sydney Tar Ponds site. Based on currently available information, the provision, in aggregate, appears to be sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to $31.6 million (2013 – $16.0 million) have been recognized in these financial statements.

Lawsuits
The Province of Nova Scotia is involved in various legal proceedings arising from government activities. These different disputes result from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When a liability is determined to likely exist and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process at March 31, 2014 was $48.7 million (2013 - $52.0 million).

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

12. Contingencies and Contractual Obligations (continued)

Guarantees
Guarantees by the Province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages, and other securities. Provisions for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provisions represents the Province's best estimate of future payments. Estimates take into consideration the nature of the loan guarantees, loss experience, and current conditions. The provisions are reviewed on an ongoing basis and changes in the provisions are recorded as expenses in the year they become known. Details on guarantees authorized, utilized, and accrued are presented in Schedule 8.

Other Contingent Liabilities
The Province also has contingent liabilities in the form of indemnities. The Province's potential liability, if any, cannot be determined at this time.

(b) Contingent Gains
The Province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded once the contingent events occur and collectability is reasonably assured.

(c) Contractual Obligations
As at March 31, 2014, the Province has contractual obligations as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2015	987,219	20,483	1,007,702
2016	568,472	14,271	582,743
2017	516,591	13,456	530,047
2018	493,035	5,001	498,036
2019	476,059	869	476,928
2020-2024	1,675,636	—	1,675,636
2025-2029	1,744,074	—	1,744,074
2030-2034	1,560,472	—	1,560,472
2035 & thereafter	454,799	—	454,799
	8,476,357	54,080	8,530,437

These contractual obligations are comprised of $8,336.7 million from the General Revenue Fund, $139.6 million from the Province's governmental units, and $54.1 million from government business enterprises. Included are contractual obligations from the Department of Health and Wellness of $4,047.8 million for service agreements with long-term care facilities and $581.8 million for the management of the ground ambulance fleet, $2,566.2 million from the Department of Justice for RCMP policing services, $317.0 million from the Department of Labour and Advanced Education for university assistance, $184.6 million from the Department of Education and Early Childhood Development for P3 School maintenance agreements, and $77.7 million from Nova Scotia Business Inc. for projects approved under its various programs.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

12. Contingencies and Contractual Obligations (continued)

Leases
As at March 31, 2014, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2015	72,558	6,923	79,481
2016	57,945	5,191	63,136
2017	51,654	3,897	55,551
2018	35,362	3,473	38,835
2019	27,305	3,194	30,499
2020-2024	32,035	8,390	40,425
2025-2029	2,796	—	2,796
2030-2034	1,105	—	1,105
	280,760	31,068	311,828

13. Risk Management and the Use of Derivative Financial Instruments

As a result of borrowing in both Canadian and foreign financial markets and being a party to financial instruments, the Province is exposed to interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate foreign exchange risk and interest rate risk. The Province does not use derivatives for speculative purposes.

Interest rate risk
Interest rate risk is the risk that debt servicing costs will vary unfavourably due to fluctuations in interest rates. To reduce its exposure to interest rate risk, the Province uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating.

As at March 31, 2014, the Province has executed 35 interest rate swap contracts to convert certain interest payments from fixed to floating, floating to fixed, and floating to floating. These swaps have terms remaining of 101 days to 14.6 years, a notional principal value of $1.4 billion, and a mark to market value of -$1.9 million.

Foreign exchange risk
Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates. To manage this risk, the Province uses derivative contracts to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

13. Risk Management and the Use of Derivative Financial Instruments (continued)

The Province has currency swap contracts which convert foreign denominated debt into Canadian dollar denominated debt as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*	*Mark to Market* [1]
		($ thousands)		*($ thousands)*	*($ thousands)*
April 16, 2019	UK£	60,000	CDN$	114,387	(4,729)
Total	**UK£**	**60,000**	**CDN$**	**114,387**	**(4,729)**
July 21, 2015	US$	750,000	CDN$	771,750	74,050
March 15, 2016	US$	150,000	CDN$	205,725	(29,629)
January 26, 2017	US$	500,000	CDN$	562,470	39,268
February 1, 2019	US$	200,000	CDN$	198,000	29,940
July 1, 2019	US$	200,000	CDN$	199,900	24,474
November 15, 2019	US$	244,000	CDN$	246,318	28,348
March 1, 2020	US$	300,000	CDN$	409,200	(82,196)
May 1, 2021	US$	300,000	CDN$	312,002	26,016
April 1, 2022	US$	300,000	CDN$	379,517	(46,472)
July 30, 2022	US$	300,000	CDN$	329,310	3,657
Total	**US$**	**3,244,000**	**CDN$**	**3,614,192**	**67,506**

[1] Mark to Market is an indication of the swap's market value as at March 31, 2014. It is also the equivalent of the present value of future cash flows based on market conditions at March 31, 2014.

Credit risk
Credit risk is the risk that a counterparty will default on its contractual obligations. The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. The Province's policy requires that a minimum credit rating for counterparties to derivative transactions be 'A', where the minimum rating in the "A" category is "A-"or equivalent.

Liquidity risk
Liquidity risk is the risk that the Province will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Province maintains liquid reserves (cash and cash equivalents) at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has a short-term note program, uncommitted bank lines, and discretionary sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years and having 50.0 per cent of long-term debt with a maturity of over 15 years.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2014

14. Trust Funds Under Administration

Trust fund assets solely administered by the Province are as follows:

($ thousands)	2014	2013 *(as restated)*
Nova Scotia Public Service Superannuation Fund	—	4,709,136
Sydney Steel Corporation Superannuation Plan *(1) (2)*	(6)	8
Nova Scotia Public Service Long Term Disability Plan *(1) (3)*	136,954	127,804
Nova Scotia Credit Union Deposit Insurance Corporation *(3)*	23,057	20,584
Public Trustee *(1)*	52,508	51,913
Miscellaneous Trusts *(4)*	9,416	19,226
Total Trust Funds Under Administration	221,929	4,928,671

(1) Financial statements of these funds are available in Public Accounts, Volume 2.
(2) Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during 2001.
(3) These represent trusts with December 31 year-ends.
(4) Miscellaneous trusts include a large number of relatively small funds.

Other

The Nova Scotia Teachers' Union and the Province of Nova Scotia agreed to joint trusteeship of the Nova Scotia Teachers' Pension Fund effective April 1, 2006. Under joint trusteeship, the Trustee of the Fund is the Nova Scotia Teachers' Pension Plan Trustee Inc., of which the Province has four of nine members. The Trustee is responsible for the administration of the Fund and investment management of fund assets. Total net assets available for benefits as at December 31, 2013 were $4.6 billion (2012 - $4.2 billion).

Effective April 1, 2013, the Minister of Finance transferred responsibility of the Public Service Superannuation Plan to a new trustee, Public Service Superannuation Plan Trustee Inc. As a result of this transfer, the Province no longer has any responsibility for this plan. Total net assets available for benefits as at March 31, 2014 were $5.1 billion (2013 - $4.7 billion).

15. Related Party Transactions

Included in these consolidated financial statements are insignificant transactions with various provincial crown corporations, agencies, boards, and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in more detail in Schedule 6 – Government Business Enterprises.

16. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.

Schedule 1

Revenue
For the fiscal year ended March 31, 2014
($ thousands)

	2014	2013
Provincial Sources		
Tax Revenue		
Personal Income Tax	2,130,543	2,128,498
Corporate Income Tax	407,971	434,078
Harmonized Sales Tax	1,620,772	1,729,344
Tobacco Tax	217,229	206,287
Motive Fuel Tax	246,800	243,446
Other Tax Revenue	168,472	160,141
	4,791,787	4,901,794
Other Provincial Revenue		
Recoveries	368,373	377,443
Other Revenue from Governmental Units	467,268	461,193
Municipal Contributions to School Boards	240,435	220,902
Petroleum Royalties	(124,819)	3,535
Registry of Motor Vehicles	120,506	113,434
Other Government Charges	59,996	68,679
Miscellaneous	161,686	130,138
Net Gain on Disposal of Crown Assets	4,461	15,310
	1,297,906	1,390,634
Net Income from Government Business Enterprises	351,257	354,355
Investment Income		
Interest Revenue	90,654	83,429
Sinking Fund and Public Debt Management Fund Earnings	111,470	111,146
	202,124	194,575
Total Provincial Sources	6,643,074	6,841,358
Federal Sources		
Equalization Payments	1,718,183	1,578,829
Canada Health Transfer	833,130	793,237
Canada Social Transfer	327,322	323,897
Recoveries	262,065	247,434
Offshore Accord	89,461	146,059
TCA Cost Shared Revenue	22,485	24,470
Crown Share	4,577	12,916
Other Federal Transfers	134,832	135,923
Total Federal Sources	3,392,055	3,262,765
Total Revenue	10,035,129	10,104,123

Schedule 2

Expenses
For the fiscal year ended March 31, 2014
($ thousands)

	2014	2013 (as restated)
Agriculture		
Department of Agriculture	56,634	57,683
Nova Scotia Blueberry Institute Fund	—	34
Nova Scotia Crop and Livestock Insurance Commission	3,502	2,251
Nova Scotia Harness Racing Fund	1,001	1,000
Perennia Food and Agriculture Incorporated	4,361	6,173
	65,498	67,141
Communities, Culture and Heritage		
Department of Communities, Culture and Heritage	53,485	52,182
Art Gallery of Nova Scotia	3,371	4,039
Public Archives of Nova Scotia	111	83
Schooner Bluenose Foundation	21	622
Sherbrooke Restoration Commission	2,762	2,415
Vive l'Acadie Community Fund	—	22
	59,750	59,363
Community Services		
Department of Community Services	909,297	880,246
Housing Nova Scotia	147,262	149,446
	1,056,559	1,029,692
Economic and Rural Development and Tourism		
Department of Economic and Rural Development and Tourism	119,938	157,036
Bioscience Enterprise Centre Incorporated	3	3
Film and Creative Industries Nova Scotia	6,151	4,796
Nova Scotia Business Inc.	29,842	18,132
Nova Scotia Innovation Corporation	10,397	10,687
Nova Scotia Strategic Opportunities Fund Incorporated	10	4
Renova Scotia Bioenergy Inc.	2,364	—
Trade Centre Limited	15,990	15,317
Waterfront Development Corporation Limited	4,303	6,157
	188,998	212,132
Education and Early Childhood Development		
Department of Education and Early Childhood Development	246,030	249,965
Annapolis Valley Regional School Board	129,423	127,374
Cape Breton Victoria Regional School Board	146,786	148,904
Chignecto-Central Regional School Board	194,039	190,799
Conseil scolaire acadien provincial	60,388	56,552
Halifax Regional School Board	439,395	426,174
Nova Scotia School Boards Association	595	617
Nova Scotia School Insurance Program	5,176	4,137
South Shore Regional School Board	73,615	73,173
Strait Regional School Board	80,155	78,972
Tri-County Regional School Board	66,532	66,104
	1,442,134	1,422,771

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2014
($ thousands)

	2014	2013 (as restated)
Energy		
Department of Energy	30,311	29,209
Nova Scotia Market Development Initiative Fund	1,033	1,113
Pengrowth Nova Scotia Energy Scholarship Fund	169	71
	31,513	30,393
Environment		
Department of Environment	24,562	24,703
Resource Recovery Fund Board Inc.	47,627	47,866
	72,189	72,569
Finance		
Department of Finance	40,108	37,639
Nova Scotia Pension Agency	—	41,237
Nova Scotia Utility and Review Board	9,409	9,917
3052155 Nova Scotia Limited	648	15
	50,165	88,808
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	9,015	8,474
Nova Scotia Sportfish Habitat Fund	383	—
	9,398	8,474
Health and Wellness		
Department of Health and Wellness	1,921,405	1,916,813
Annapolis Valley District Health Authority	136,207	129,969
Cape Breton District Health Authority	311,654	298,403
Capital District Health Authority	944,400	883,949
Colchester East Hants Health Authority	91,452	81,092
Cumberland Health Authority	64,802	66,749
Gambling Awareness Foundation of Nova Scotia	703	432
Guysborough Antigonish Strait Health Authority	87,687	84,382
Izaak Walton Killam Health Centre	251,465	247,970
Nova Scotia Health Research Foundation	5,126	5,442
Pictou County Health Authority	85,627	80,580
Provincial Drug Distribution Program	94,330	90,253
South Shore District Health Authority	91,626	89,355
South West Nova District Health Authority	103,973	100,267
	4,190,457	4,075,656
Justice		
Department of Justice	286,649	285,320
Law Reform Commission	297	301
Nova Scotia E911 Cost Recovery Fund	4,648	4,809
Nova Scotia Legal Aid Commission	22,830	22,551
	314,424	312,981

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2014
($ thousands)

	2014	2013 (as restated)
Labour and Advanced Education		
Department of Labour and Advanced Education	212,461	188,329
Nova Scotia Community College	211,941	200,572
	424,402	388,901
Assistance to Universities	336,749	380,847
Natural Resources		
Department of Natural Resources	84,711	98,978
Coal Research Agreement Fund	300	–
Crown Land Mine Remediation Fund	54	–
Habitat Conservation Fund	130	160
Nova Scotia Primary Forest Products Marketing Board	136	112
Off-Highway Vehicle Infrastructure Fund	1,320	1,745
Species-at-risk Conservation Fund	73	–
	86,724	100,995
Public Service	133,989	136,824
Seniors		
Department of Seniors	1,813	1,748
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	265,383	269,248
Nova Scotia Coordinate Referencing System Trust Fund	61	–
Nova Scotia Municipal Finance Corporation	844	854
	266,288	270,102
Transportation and Infrastructure Renewal		
Department of Transportation and Infrastructure Renewal	455,799	416,515
Harbourside Commercial Park Inc.	745	673
Nova Scotia Lands Inc.	1,367	559
	457,911	417,747
Restructuring Costs	148,721	136,475
Restructuring of Nova Scotia Agricultural College	–	36,996
Pension Valuation Adjustment	388,160	108,510
Refundable Tax Credits	101,983	127,145

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2014
($ thousands)

	2014	2013 (as restated)
Debt Servicing Costs		
General Revenue Fund	826,209	871,273
Annapolis Valley District Health Authority	802	808
Annapolis Valley Regional School Board	893	862
Cape Breton District Health Authority	2,031	2,078
Cape Breton Victoria Regional School Board	1,089	992
Capital District Health Authority	8,105	8,148
Chignecto-Central Regional School Board	1,522	1,445
Colchester East Hants Health Authority	467	483
Conseil scolaire acadien provincial	403	354
Cumberland Health Authority	362	379
Guysborough Antigonish Strait Health Authority	492	509
Halifax Regional School Board	4,207	4,153
Housing Nova Scotia	17,963	19,841
Izaak Walton Killam Health Centre	1,936	1,928
Nova Scotia Community College	1,721	1,685
Nova Scotia Innovation Corporation	81	82
Nova Scotia Legal Aid Commission	408	384
Nova Scotia Municipal Finance Corporation	175	152
Nova Scotia Strategic Opportunities Fund Incorporated	3,276	3,168
Nova Scotia Utility and Review Board	38	39
Perennia Food and Agriculture Incorporated	28	—
Pictou County Health Authority	487	514
Renova Scotia Bioenergy Inc.	10,400	(800)
Resource Recovery Fund Board Inc.	15	—
Sherbrooke Restoration Commission	56	12
South Shore District Health Authority	566	584
South Shore Regional School Board	509	574
South West Nova District Health Authority	740	760
Strait Regional School Board	637	516
Trade Centre Limited	69	74
Tri-County Regional School Board	481	464
Waterfront Development Corporation Limited	21	23
Waycobah School Assistance Fund	6	—
	886,195	921,484
Total Expenses	10,714,020	10,407,754

Schedule 3

Loans and Investments
As at March 31, 2014
($ thousands)

	Loans and Investments	Provisions	Net 2014	Net 2013
Loans				
Agriculture and Rural Credit Act	179,471	10,524	168,947	157,708
Educational & Services Products (NS) Ltd	15	–	15	15
Education - Student Loans Direct Lending	208,638	107,185	101,453	114,241
Fisheries Development Act	110,243	2,406	107,837	106,515
Halifax-Dartmouth Bridge Commission	–	–	–	2,000
Nova Scotia Business Inc.	62,228	22,092	40,136	36,980
Housing Nova Scotia	592,709	3,874	588,835	585,515
Nova Scotia Innovation Corporation	5,337	3,237	2,100	1,850
Nova Scotia Jobs Fund Act	383,615	127,834	255,781	175,084
Nova Scotia Market Development Initiative Fund	3,360	–	3,360	4,480
Nova Scotia Municipal Finance Corporation	790,252	–	790,252	764,182
Nova Scotia Strategic Opportunities Fund Incorporated	75,791	–	75,791	74,991
Perennia Food and Agriculture Incorporated	–	–	–	113
Resource Recovery Fund Board Inc.	212	–	212	238
Venture Corporations Act	809	809	–	–
Waterfront Development Corporation Limited	23	–	23	–
Total Loans Receivable	2,412,703	277,961	2,134,742	2,023,912
Investments				
Art Gallery of Nova Scotia	2,831	–	2,831	2,247
Capital District Health Authority	71,418	–	71,418	59,373
Gambling Awareness Foundation of Nova Scotia	3,554	–	3,554	3,444
Nova Scotia Business Inc.	50,089	20,612	29,477	36,800
Nova Scotia Community College	5,701	–	5,701	3,200
Nova Scotia Innovation Corporation	26,308	9,427	16,881	14,938
Nova Scotia Jobs Fund Act	30,441	23,441	7,000	17,600
Nova Scotia School Insurance Program	9,495	–	9,495	8,711
Perennia Food and Agriculture Incorporated	1,343	–	1,343	719
Public Archives of Nova Scotia	1,024	–	1,024	1,015
Total Investments	202,204	53,480	148,724	148,047

The provisions listed above include $5.9 million (2013 - $6.3 million) for possible guarantee payouts from the Nova Scotia Jobs Fund Act. Also included in the provisions is $9.5 million (2013 - $10.0 million) for the Debt Reduction Assistance Program of the Education Student Loans of which $3.5 million (2013 - $3.7 million) relates to the student loans guaranteed by the Province.

Schedule 4

Unmatured Debt
As at March 31, 2014
($ thousands)

	Gross Unmatured Debt	Sinking Funds and Defeasance Assets	Net Unmatured Debt 2014	Net Unmatured Debt 2013
General Revenue Fund	15,323,369	2,531,101	12,792,268	12,655,796
Capital District Health Authority	662	—	662	901
Housing Nova Scotia	189,623	—	189,623	202,119
Nova Scotia Municipal Finance Corporation	7,959	—	7,959	8,749
Nova Scotia Power Finance Corporation	881,590	881,590	—	—
Waterfront Development Corporation Limited	885	—	885	1,680
Total Unmatured Debt	16,404,088	3,412,691	12,991,397	12,869,245

Gross Unmatured Debt

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 13.

Gross Unmatured Debt consists of the outstanding current and long-term debt of the Province's governmental units, as well as the unmatured debt of the General Revenue Fund. Current and long-term debt of the government business enterprises is reflected in the Province's Investment in Government Business Enterprises and further detailed in Schedule 6.

Schedule 4

Unmatured Debt (continued)
As at March 31, 2014
($ thousands)

Sinking Fund Assets

As at March 31, 2014, the General Revenue Fund held Sinking Funds and Public Debt Management Funds of $2,531.1 million (2013 - $2,694.2 million). These funds were comprised of $2,369.0 million in Sinking Funds and $162.1 million in Public Debt Management Funds. The total market value of both funds was $2,690.0 million at year-end. During the year, contributions were $39.4 million, total earnings were $111.5 million, and total redemptions were $313.9 million.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The net unamortized portion of the premiums and discounts as at March 31, 2014 was $39.2 million (2013 - $43.0 million) and is included as part of the value of the sinking funds.

Sinking fund assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 2.75% to 10.00%. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. At year-end, the Province held a carrying value of $559.2 million (2013 - $675.9 million) of its own debentures in Sinking Funds and Public Debt Management Funds as active investments.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Governments and utilities, Federal US bonds, coupons or residuals. This debt is shown net of defeasance assets on the Statement of Financial Position.

Projected net principal repayments, capital lease payments, and sinking fund requirements for the next five years and thereafter are as follows:

	Net Principal Repayments	Capital Lease Payments	Sinking Fund Payments	Total Payments
2015	568,834	28,379	29,831	627,044
2016	995,577	30,318	29,831	1,055,726
2017	905,005	32,492	29,831	967,328
2018	415,965	34,748	29,831	480,544
2019	989,058	34,028	27,725	1,050,811
2020 & thereafter	8,689,753	63,957	56,234	8,809,944
	12,564,192	223,922	203,283	12,991,397

Net principal repayments are comprised of the principal amounts due on loans and debentures less available designated sinking funds to retire the debentures.

In addition, the Province has approximately $827.2 million (2013 - $814.8 million) in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions.

Schedule 5

Gross Unmatured Debt
As at March 31, 2014
($ thousands)

	Foreign Exchange Rate	CDN $ Amount	Maturity Dates	Interest Rates
Debentures				
General Revenue Fund				
General Revenue Fund (CDN$)		15,072,228	2014 to 2062	3.44% to 11.75%
General Revenue Fund (US$)	0.9047	—	2015 to 2022	2.38% to 9.50%
General Revenue Fund (UK£)	0.5426	—	2019	11.75%
Nova Scotia Municipal Finance Corporation		7,959	2014 to 2032	1.00% to 2.62%
Nova Scotia Power Finance Corporation (CDN$)		550,000	2014 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US$)	0.9047	331,590	2021	9.40%
Total Debentures		15,961,777		
Loans				
General Revenue Fund - Other Debt		27,881	2014 to 2018	1.35% to 3.36%
Housing Nova Scotia		189,623	2014 to 2034	1.53% to 10.50%
Waterfront Development Corporation Limited		885	Demand loan	—
Total Loans		218,389		
Capital Leases				
General Revenue Fund		223,260	2018 to 2026	6.04% to 7.25%
Capital District Health Authority		662	2016 to 2017	6.19% to 6.29%
Total Capital Leases		223,922		
Gross Unmatured Debt		16,404,088		

Call, Redemption and Other Features

General Revenue Fund
Canadian debentures include $1,079.4 million in CPP debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

Housing Nova Scotia
Mortgages and notes payable are secured by investments in social housing.

Schedule 6

Government Business Enterprises
As at March 31, 2014
($ thousands)

	Halifax-Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Liquor Corporation	Nova Scotia Provincial Lotteries and Casino Corporation	QEII Health Sciences Centre Auxiliary	2014 Total	2013 Total
Cash	9,270	685	13,612	20,913	2,116	46,596	44,470
Accounts Receivable	306	1,593	1,843	32,751	613	37,106	5,227
Inventory	–	8	47,196	2,775	307	50,286	47,955
Investments	15,903	34,311	–	1	–	50,215	52,920
Tangible Capital Assets	98,400	36,534	45,369	95,240	1,449	276,992	277,440
Other Assets	183	480	5,590	13,685	3	19,941	20,254
Total Assets	124,062	73,611	113,610	165,365	4,488	481,136	448,266
Accounts Payable	3,798	680	40,867	103,240	4,125	152,710	121,350
Unmatured Debt	42,000	43,554	20	45,758	–	131,332	144,376
Other Liabilities	3,287	7,639	28,350	16,117	261	55,654	70,383
Total Liabilities	49,085	51,873	69,237	165,115	4,386	339,696	336,109
Equity	74,977	21,738	44,373	250	102	141,440	112,157
Total Liabilities and Equity	124,062	73,611	113,610	165,365	4,488	481,136	448,266
Total Revenue	32,456	22,113	598,847	406,697	9,044	1,069,157	1,074,321
Debt Servicing	2,286	7,522	1,154	1,292	–	12,254	13,399
Other Expenses	17,885	12,951	369,447	296,414	8,949	705,646	706,567
Total Expenses	20,171	20,473	370,601	297,706	8,949	717,900	719,966
Net Income	12,285	1,640	228,246	108,991	95	351,257	354,355

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2014

Halifax-Dartmouth Bridge Commission

The Halifax-Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, was created in 1950 by a special statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*). The purpose of HDBC is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

HDBC currently operates and maintains two toll bridges across the Halifax Harbour; the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. In accordance with the *Halifax-Dartmouth Bridge Commission Act*, the Nova Scotia Utility and Review Board, a provincially controlled public sector entity, sets the rates, tolls, and charges to be paid for the use of the two bridges operated by HDBC.

Long-Term Loan Agreement
On July 25, 2007, HDBC entered into a long-term loan agreement with the Province for $60.0 million with a final maturity date of December 4, 2019. This agreement requires annual principal repayments of $3.0 million plus interest, with a final principal repayment of $27.0 million along with all accrued and unpaid interest thereon due on the final maturity date. At March 31, 2014, HDBC had $39.0 million (2013 - $42.0 million) of long-term debt and $3.0 million (2013 - $3.0 million) of debt maturing within one year.

Interest is payable semi-annually on July 4 and December 4 of each year. The average interest rate over the life of the loan is 5.13%. This debt is unsecured. For the period ending March 31, 2014, interest expense on the long term debt was $2.3 million (2013 – $2.4 million), of which $694.0 thousand (2013 – $742.0 thousand) was payable at year-end.

This agreement also requires that HDBC maintain three reserve funds: the Operating, Maintenance & Administrative Fund (OM Fund), Debt Service Fund, and Capital Fund. At March 31, 2014, these restricted assets totaled $15.9 million (2013 – $14.0 million) and were invested in GICs with a rate of 1.25% and various provincial bonds with annual yields of 3.99% to 10.00%.

Line of Credit Agreement
On June 30, 2008, HDBC entered into an agreement with the Province for a $60.0 million revolving, unsecured line of credit. At March 31, 2014, HDBC had no advances outstanding against this line of credit (2013 - $2.0 million) and no accrued interest for the year (2013 – $27.0 thousand, of which $8.0 thousand was payable at year-end).

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2014

Highway 104 Western Alignment Corporation

The Highway 104 Western Alignment Corporation (H104) was established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia.

Related Party Transactions
Included in the financial statements of H104 are transactions with various Crown corporations, ministries, agencies, boards and commissions related to H104 by virtue of common control by the Province. All other transactions with parties under the control of the government are routine operating transactions carried out as part of H104's normal day-to-day operations. These routine transactions are individually insignificant and include maintenance services, enforcement costs, and purchases of inventory and property, plant and equipment. Collectively the transactions increase enforcement costs by $60.0 thousand (2013 - $60.0 thousand), maintenance services by $1.2 million (2013 - $1.2 million), inventory by $25.8 thousand (2013 - $25.8 thousand), and property, plant and equipment by $254.0 thousand (2013 - $94.6 thousand).

At March 31, 2014, H104 had a receivable from the Province in the amount of $637.3 thousand (2013 - $638.4 thousand). Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and H104 will comply with the conditions associated with them. Grants to cover expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants to cover the cost of an asset are deferred and amortized to operations over the expected project life or useful life of the asset using the straight-line method.

Omnibus Agreement
The Omnibus Agreement, dated April 1, 1996, is an agreement between H104, the Contractor, the Operator, and the Province to design, finance, construct, operate and maintain the Highway 104 Western Alignment. Under this agreement, the Province of Nova Scotia retains ownership of the highway. However, H104 is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the Province.

Restricted accounts for capital reserve, major maintenance reserve, and debt service reserve have been established in accordance with the Omnibus Agreement. Restricted assets totaling $34.3 million (2013 - $38.9 million) are comprised of investments that are recorded at fair value and include accrued interest of $67.8 thousand (2013 - $91.4 thousand), have a weighted average term of 6.86 (2013 - 6.77) months to maturity, and a weighted average interest rate of 1.16 per cent (2013 - 1.20 per cent).

Annual Roadway Maintenance Agreement
The annual roadway maintenance agreement is a 30-year agreement between H104 and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services and is renewable in five year increments. The annual fee was $1.2 million for the current fiscal year (2013 - $1.2 million). During the year, H104 incurred management fees of $226.8 thousand (2013 - $94.6 thousand) from the Province.

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2014

Highway 104 Western Alignment Corporation (continued)

Long-Term Debt
Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.25 per cent per year, compounded semi-annually, and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At year-end, H104 had $41.6 million (2013 - $48.4 million) of long-term debt and $2.0 million (2013 - $2.0 million) of debt maturing within one year. Interest expense on the long term debt was $7.5 million (2013 - $8.8 million) for the year.

Minimum principal repayments for the next five years are as follows:

2015 - $2.0 million
2016 - $2.2 million
2017 - $2.4 million
2018 - $2.7 million
2019 - $3.0 million

As security, H104 has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

Nova Scotia Liquor Corporation

The Nova Scotia Liquor Corporation (NSLC) derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. NSLC was created June 1, 2001, by Chapter 4 of the *Government Restructuring (2001) Act*, via continuance of the Nova Scotia Liquor Commission as a body corporate.

NSLC operates retail sales locations across the province and has a fiscal year-end of March 31. In 2014, remittances to the Minister of Finance totaled $226.0 million (2013 - $224.5 million).

Obligations under Finance Lease
At March 31, 2014, NSLC had long-term obligations under finance lease of $1.0 thousand (2013 - $21.0 thousand) and current obligations under finance lease of $19.0 thousand (2013 - $20.0 thousand). Interest expense on the finance lease obligations was $2.0 thousand (2013 - $2.0 thousand) for the year.

Equity
Upon conversion to International Financial Reporting Standards (IFRS) in 2012, NSLC reclassified its payable to the Minister of Finance from a liability to equity. At March 31, 2014, NSLC's equity was $44.4 million (2013 - $39.8 million).

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2014

Nova Scotia Provincial Lotteries and Casino Corporation

The Nova Scotia Gaming Corporation (NSGC) was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended on November 13, 2012, whereby the name of NSGC was changed to Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). The principal activities of NSPLCC are to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of NSPLCC are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

Payable to the Province
At March 31, 2014, NSPLCC had a payable to the Province in the amount of $84.8 million (2013 – $54.9 million).

Capital Lease Arrangements
At March 31, 2014, NSPLCC had long-term commitments for minimum lease payments relating to non-cancellable capital leases of $0.3 million (2013 – $0.5 million) and current portion of long-term leases of $0.3 million (2013 – $0.9 million). Interest expense related to software under capital lease was $36.0 thousand (2013 – $68.0 thousand) for the year.

The aggregate payment of long-term leases payable for the next five years are as follows:

2015 – $0.3 million
2016 – $0.1 million
2017 – $0.1 million
2018 – $33.0 thousand
2019 – $nil

Special Payments to Government Departments
NSPLCC is obligated to make direct payments annually to three provincial government departments: Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia), Department of Agriculture (in support of the Exhibition Association of Nova Scotia), and Department of Health and Wellness (in support of Sport Nova Scotia). These payments totaled $0.2 million (2013 – $0.2 million).

Additionally, as part of its Gaming Strategy, the Province approved a contribution of $3.0 million to the Department of Health and Wellness in 2014 (2013 – $3.0 million) to fund problem gambling treatment.

Gambling Awareness Foundation Contribution
Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc., to contribute one per cent of their VL commission to the Gambling Awareness Foundation of Nova Scotia. NSPLCC has agreed to contribute an amount equal to all contributions made by the VL retailers. At March 31, 2014, NSPLCC had a payable to the Gambling Awareness Foundation in the amount of $35.0 thousand (2013 – $38.0 thousand).

Harness Racing Fund Contribution
NSPLCC annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the Nova Scotia Harness Racing Fund Regulations. These contributions go towards supporting the harness racing industry in Nova Scotia. In 2014, the contribution was $1.0 million (2013 – $1.0 million).

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2014

Nova Scotia Provincial Lotteries and Casino Corporation (continued)

Due to Atlantic Gaming Equipment
At March 31, 2014, the amount due to Atlantic Gaming Equipment Limited was $45.8 million (2013 – $48.9 million). This liability represents a portion of Atlantic Lottery Corporation Inc.'s (ALC) debt used in the acquisition of property, plant and equipment operated on behalf of NSPLCC. All amounts are payable by ALC and are due on or before August 2026. The debt is based on variable interest rates ranging from 1.83 to 2.88 per cent. The aggregate maturity of long-term debt for the years subsequent to March 31, 2014 is approximately as follows:

2015 – $21.9 million
2016 – $7.8 million
2017 – $4.7 million
2018 – $4.8 million
2019 – $4.9 million

Included in interest expense is $1.1 million (2013 - $0.8 million) relating to long-term debt.

Disputed HST Assessments
Included in accounts receivable at March 31, 2014 is $31.6 million that was paid to Canada Revenue Agency, on a without prejudice basis, for an assessment of HST in respect to the operation of certain video lottery terminals. The assessment is being contested and the outcome is undeterminable at this time, so no amounts related to the contingent liability have been accrued in NSPLCC's financial statements.

Queen Elizabeth II Health Sciences Centre Auxiliary

The Queen Elizabeth II Health Sciences Centre Auxiliary, operating as Partners for Care, is a volunteer based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for Capital District Health Authority (CDHA) through parking and retail services, rental activities, and other special projects that generally take place within the hospital premises. Partners for Care was identified and consolidated as a government business enterprise by CDHA.

Payable to Capital District Health Authority
At March 31, 2014, Partners for Care had a payable to CDHA in the amount of $4.0 million (2013 – receivable from CDHA in the amount of $1.3 million).

Capital Lease
At March 31, 2014, Partners for Care had a current obligation under capital lease of $nil (2013 – $23.0 thousand).

Transfers to Capital District Health Authority
Transfers to CDHA totaled $4.8 million in 2014 (2013 – $nil).

Schedule 7

Tangible Capital Assets
As at March 31, 2014
($ thousands)

	Land	Buildings and Land Improvements	Machinery, Computers and Equipment	Vehicles and Ferries	Roads, Bridges and Highways	2014 Total	2013 Total
Costs							
Opening Costs	950,832	4,612,659	1,422,827	149,639	2,386,660	9,522,617	8,954,845
Transfers	(7)	7,947	(8,197)	—	—	(257)	—
Additions	15,373	187,143	90,613	17,581	235,340	546,050	690,862
Disposals	(199)	(2,288)	(12,818)	(2,422)	—	(17,727)	(123,090)
Closing Costs	965,999	4,805,461	1,492,425	164,798	2,622,000	10,050,683	9,522,617
Accumulated Amortization							
Opening Accumulated Amortization	—	(1,938,798)	(1,036,710)	(91,475)	(1,055,452)	(4,122,435)	(3,832,630)
Transfers	—	(3,714)	3,771	—	—	57	—
Disposals	—	1,157	11,903	2,403	—	15,463	93,093
Amortization Expense	—	(145,041)	(89,678)	(12,299)	(152,778)	(399,796)	(382,898)
Closing Accumulated Amortization	—	(2,086,396)	(1,110,714)	(101,371)	(1,208,230)	(4,506,711)	(4,122,435)
Net Book Value	965,999	2,719,065	381,711	63,427	1,413,770	5,543,972	5,400,182
Opening Balance	950,832	2,673,861	386,117	58,164	1,331,208	5,400,182	5,122,215
Closing Balance	965,999	2,719,065	381,711	63,427	1,413,770	5,543,972	5,400,182
Increase (Decrease) in Net Book Value	15,167	45,204	(4,406)	5,263	82,562	143,790	277,967

Schedule 7

Tangible Capital Assets (continued)
As at March 31, 2014

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization percentages of the more common tangible capital assets are as follows:

Buildings and Land Improvements	5 - 30 per cent
Machinery, Computers and Equipment	15 - 50 per cent
Vehicles and Ferries	15 - 35 per cent
Roads, Bridges and Highways	5 - 15 per cent

Capital leases of the General Revenue Fund are amortized on a straight-line basis over the length of each lease, ranging from 3 to 25 years.

Amortization is generally calculated on a straight-line basis for assets of the governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

Buildings (including Leasehold Improvements) and Land Improvements	3 - 50 years
Machinery, Computers and Equipment	2 - 50 years
Vehicles and Ferries	3 - 7 years

Capital leases of the governmental units are amortized on a straight-line basis over the length of each lease, ranging from 5 to 45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to Housing Nova Scotia. These assets are amortized using the straight-line method. The net book value of these assets is $324.7 million (2013 - $339.6 million).

Included in the closing costs of the various classes as at March 31, 2014, are costs for assets under construction, which have not yet been amortized. These costs relate to buildings and land improvements of $186.6 million, machinery, computers and equipment of $59.7 million, vehicles and ferries of $21.4 million, and roads, bridges and highways of $119.5 million.

Capital leases are included in the various classes as at March 31, 2014 as follows: buildings and land improvements - cost of $452.6 million, accumulated amortization of $306.3 million; machinery, computers and equipment - cost of $41.5 million, accumulated amortization of $40.2 million; and vehicles and ferries - cost of $21.3 million, accumulated amortization of $12.9 million.

Schedule 8

Direct Guarantees
As at March 31, 2014
($ thousands)

	Authorized 2014	Utilized 2014	Utilized 2013
Bank Loans			
Department of Labour and Advanced Education			
Student Loan Program	6,148	6,148	9,977
Nova Scotia Business Inc.	—	—	300
Nova Scotia Jobs Fund Act	76,300	55,499	45,749
Total Bank Loan Guarantees	82,448	61,647	56,026
Mortgages			
Housing Nova Scotia Act	8,394	8,394	8,774
Housing Nova Scotia Act - CMHC Indemnities	68,561	68,561	78,457
Provincial Finance Act	3	3	8
Total Mortgage Guarantees	76,958	76,958	87,239
Total Direct Guarantees	159,406	138,605	143,265
Less: Provision for Guarantee Payout			
Department of Labour and Advanced Education			
Student Loan Program		(771)	(1,776)
Housing Nova Scotia Act		(5,695)	(11,981)
Nova Scotia Business Inc.		—	(300)
Nova Scotia Jobs Fund Act		(5,906)	(6,275)
		(12,372)	(20,332)
Less: Provision for Student Debt Reduction Program			
Department of Labour and Advanced Education			
Student Loan Program		(3,548)	(3,742)
Net Direct Guarantees		122,685	119,191

(Not provided for in these Consolidated Financial Statements)

Schedule 9

Segment Reporting
As at March 31, 2014

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2014 and 2013 fiscal years. Segment results represent the activities of that segment and include any inter-segment transactions. Inter-segment eliminations are shown in a separate column. The Province has determined that the following segments represent the major activities of government.

Health
The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education
The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives. This includes: Primary to Grade 12, post-secondary and advanced education, as well as labour support.

Infrastructure & Public Works
The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services
The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development
The provision for the maintenance and upkeep, efficient extraction, processing, and utilization of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other Government
Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as general tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Segment Reporting

Schedule 9

For the fiscal year ended March 31, 2014

($ thousands)

	Health		Education		Infrastructure & Public Works		Social Services	
	2014	2013 (as restated)	2014	2013 (as restated)	2014	2013 (as restated)	2014	2013 (as restated)
Revenue								
Provincial Sources								
Tax Revenue	217,229	206,287	–	–	246,800	243,446	–	–
Other Provincial Revenue	412,130	401,594	437,409	433,991	13,928	14,303	105,270	107,725
Net Income from GBEs	95	955	–	–	13,925	13,596	–	–
Investment Income	2,266	2,747	5,467	5,087	–	–	27,122	27,024
Federal Sources	893,858	855,136	278,511	268,099	23,794	27,574	265,196	267,508
Total Revenue	1,525,578	1,466,719	721,387	707,177	298,447	298,919	397,588	402,257
Expenses								
Grants and Subsidies	1,680,617	1,658,973	644,396	641,547	418	459	791,899	810,472
Salaries and Employee Benefits	1,675,876	1,586,717	1,161,882	1,143,912	128,743	123,882	165,267	155,815
Operating Goods and Services	762,190	715,597	328,872	325,341	134,367	107,026	112,371	82,215
Professional Services	85,401	95,101	30,520	28,214	15,748	18,166	3,477	3,432
Amortization	99,103	98,214	78,873	76,290	177,734	169,487	20,500	19,245
Debt Servicing Costs	17,014	17,348	11,463	11,044	–	–	43,833	45,571
Other	–	1	–	–	–	–	–	–
Total Expenses	4,320,201	4,171,951	2,256,006	2,226,348	457,010	419,020	1,137,347	1,116,750
Segment Result	(2,794,623)	(2,705,232)	(1,534,619)	(1,519,171)	(158,563)	(120,101)	(739,759)	(714,493)

Segment Reporting

For the fiscal year ended March 31, 2014

($ thousands)

Schedule 9

	Natural Resources & Economic Development		Other Government		Inter-Segment Eliminations		Total	
	2014	2013 (as restated)	2014	2013 (as restated)	2014	2013 (as restated)	2014	2013 (as restated)
Revenue								
Provincial Sources								
Tax Revenue	334	363	4,327,424	4,451,698	–	–	4,791,787	4,901,794
Other Provincial Revenue	29,588	142,865	418,125	424,011	(118,544)	(133,855)	1,297,906	1,390,634
Net Income from GBEs	–	–	337,237	339,804	–	–	351,257	354,355
Investment Income	14,672	9,818	185,787	184,733	(33,190)	(34,834)	202,124	194,575
Federal Sources	103,397	167,617	1,827,299	1,676,831	–	–	3,392,055	3,262,765
Total Revenue	147,991	320,663	7,095,872	7,077,077	(151,734)	(168,689)	10,035,129	10,104,123
Expenses								
Grants and Subsidies	151,302	200,353	365,812	453,795	(45,997)	(53,191)	3,588,447	3,712,408
Salaries and Employee Benefits	137,094	140,122	744,945	448,119	(39,314)	(48,557)	3,974,493	3,550,010
Operating Goods and Services	149,144	137,969	90,853	118,882	(5,197)	(8,703)	1,572,600	1,478,327
Professional Services	16,127	19,889	138,206	166,126	(599)	(705)	288,880	330,223
Amortization	6,407	5,721	17,179	13,941	–	–	399,796	382,898
Debt Servicing Costs	16,468	6,718	857,995	898,035	(60,578)	(57,232)	886,195	921,484
Other	3,658	32,704	–	–	(49)	(301)	3,609	32,404
Total Expenses	480,200	543,476	2,214,990	2,098,898	(151,734)	(168,689)	10,714,020	10,407,754
Segment Result	(332,209)	(222,813)	4,880,882	4,978,179	–	–	(678,891)	(303,631)

Schedule 10

Government Reporting Entity
As at March 31, 2014

The government reporting entity is comprised of the Province's departments and public service units (General Revenue Fund) as well as the following governmental units, government business enterprises, and a proportionate share of government partnership arrangements:

Governmental Units
(Consolidation Method)

Acadia Coal Company Limited Fund
Annapolis Valley District Health Authority
Annapolis Valley Regional School Board
Art Gallery of Nova Scotia
Arts Nova Scotia
Bioscience Enterprise Centre Incorporated (inactive)
Cape Breton District Health Authority
Cape Breton Victoria Regional School Board
Capital District Health Authority
Check Inns Limited (inactive)
Chignecto-Central Regional School Board
Coal Research Agreement Fund
Colchester East Hants Health Authority
Conseil scolaire acadien provincial
CorFor Capital Repairs and Replacements Fund
Creative Nova Scotia Leadership Council
Crown Land Mine Remediation Fund
Crown Land Silviculture Fund
Cumberland Health Authority
Democracy 250 (inactive)
Film and Creative Industries Nova Scotia
Gambling Awareness Foundation of Nova Scotia
Gaming Addiction Treatment Trust Fund
Guysborough Antigonish Strait Health Authority
Habitat Conservation Fund
Halifax Regional School Board
Harbourside Commercial Park Inc.
  Sydney Utilities Limited
Housing Nova Scotia
  Cape Breton Island Housing Authority
  Cobequid Housing Authority
  Eastern Mainland Housing Authority
  Metropolitan Regional Housing Authority
  Western Regional Housing Authority
Izaak Walton Killam Health Centre
Law Reform Commission
Muggah Creek Remediation Fund
Nova Scotia Arts Council (inactive)
Nova Scotia Business Inc.
Nova Scotia Community College
  Nova Scotia Community College Foundation
Nova Scotia Coordinate Referencing System Trust Fund
Nova Scotia Crop and Livestock Insurance Commission
Nova Scotia E911 Cost Recovery Fund
Nova Scotia Environmental Trust
Nova Scotia Farm Loan Board
Nova Scotia Fisheries and Aquaculture Loan Board
Nova Scotia Government Acadian Bursary Program Fund
Nova Scotia Harness Racing Fund
Nova Scotia Health Research Foundation
Nova Scotia Innovation Corporation
  1402998 Nova Scotia Limited
  3087532 Nova Scotia Limited
Nova Scotia Jobs Fund
Nova Scotia Lands Inc.
Nova Scotia Legal Aid Commission
Nova Scotia Market Development Initiative Fund
Nova Scotia Municipal Finance Corporation
Nova Scotia Nominee Program Fund
Nova Scotia Power Finance Corporation
Nova Scotia Primary Forest Products Marketing Board
Nova Scotia School Boards Association ***(1)***
Nova Scotia School Insurance Exchange ***(2)***
Nova Scotia School Insurance Program Association ***(2)***
Nova Scotia Sportfish Habitat Fund
Nova Scotia Strategic Opportunities Fund Incorporated
Nova Scotia Tourism Agency
Nova Scotia Utility and Review Board
Off-Highway Vehicle Infrastructure Fund
P3 Schools Capital and Technology Refresh Fund ***(3)***
Pengrowth Nova Scotia Energy Scholarship Fund
Perennia Food and Agriculture Incorporated
Pictou County Health Authority
Provincial Drug Distribution Program
Public Archives of Nova Scotia
Public Debt Management Fund
Renova Scotia Bioenergy Inc.
Resource Recovery Fund Board Inc.
Rockingham Terminal Incorporated (inactive)
Schooner Bluenose Foundation
Scotia Learning Technology Refresh Fund
Select Nova Scotia Fund
Sherbrooke Restoration Commission
South Shore District Health Authority

Schedule 10

Government Reporting Entity (continued)
As at March 31, 2014

Governmental Units (continued)
(Consolidation Method)

South Shore Regional School Board
South West Nova District Health Authority
Species-at-risk Conservation Fund
Strait Regional School Board
Sustainable Forestry Fund
Sydney Environmental Resources Limited (inactive)
Sydney Steel Corporation
Sydney Tar Ponds Agency
Sysco Decommissioning Fund
Trade Centre Limited
Tri-County Regional School Board
Upper Clements Family Theme Park Limited (inactive)
Vive l'Acadie Community Fund
Waterfront Development Corporation Limited
    3104102 Nova Scotia Limited
Waycobah School Assistance Fund
3052155 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Liquor Corporation
Nova Scotia Provincial Lotteries and Casino Corporation
    Atlantic Lottery Corporation (25% ownership)
    Interprovincial Lottery Corporation
        (10% ownership)
    Nova Scotia Gaming Equipment Limited
Queen Elizabeth II Health Sciences Centre Auxiliary

Government Partnership Arrangements
(Proportionate Consolidation Method)

Atlantic Provinces Special Education Authority
    (approximately 55% share)
Canada-Nova Scotia Offshore Petroleum Board
    (50% share)
Canadian Sports Centre Atlantic
    (approximately 14% share)
Council of Atlantic Premiers
    (approximately 46% share)

(1) *- Entity is a partnership controlled by the eight school boards.*

(2) *- Entity is a partnership controlled by the eight school boards and the Nova Scotia Community College.*

(3) *- This includes all refresh funds related to P3 schools.*

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